



U. S. General Services Administration

2012 Agency Financial Report

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GSA has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR). For the fiscal year (FY) 2012 APR, see the FY 2014 Congressional Budget Justification which will be published during February 2013 and available at GSA.gov/annualreport.

Letter from the Acting Administrator

As acting administrator of the U.S. General Services Administration (GSA), I am proud to present the GSA Fiscal Year (FY) 2012 Agency Financial Report (AFR), which details our accomplishments and challenges in program and financial management over the past year. The audit opinion and financial results reported in the AFR verify that GSA financial operations comply with the U.S. Department of the Treasury guidance, federal financial regulations, and generally accepted accounting principles.

During this time of shrinking federal budgets, GSA's mission of providing value to both the American taxpayer and the agencies of the federal government is more important than ever before. That is why over the past year, GSA has taken significant steps towards transforming ourselves into a recognized leader in effective and efficient public service.

To realize this goal, GSA conducted a rigorous top to bottom review to examine how we can best fulfill our mission in the future. As part of this process, we conducted interviews and meetings with agency employees, both one-on-one and with the leadership of the two dozen major operating units within GSA to discuss strategy, operations, and human capital. We also looked beyond the federal government and met with business leaders in procurement and real estate to identify best practices from comparable private-sector business models. At the same time, we performed exhaustive analysis of financial and performance data within the agency, as well as careful studies of Inspector General and GAO reports. Finally, we held more than a dozen meetings with other federal agencies to solicit their feedback in order to identify areas where GSA can provide greater savings. As a result of this comprehensive review, GSA has instituted numerous changes and improvements to ensure that we are meeting our responsibilities to the American people and to other federal agencies.

We are already seeing results. Our clarified guidelines and oversight for travel and conferences have saved more than \$11 million in taxpayer funds. At the same time, we have instituted mandatory training to ensure that every GSA employee is aware of what is and is not acceptable at conferences. GSA is also freezing the current federal per diem travel reimbursement

rates, keeping FY 2013 reimbursement rates at FY 2012 levels. This step will result in an anticipated \$20 million in avoided costs in FY 2013, helping to meet the administration's directives to reduce government-wide travel costs. In addition, GSA is evaluating our acquisition service fee structure, saving millions of dollars for the rest of the federal government.

We will also streamline the organization by consolidating a number of agency functions under the direction of three agency-wide executives. Substantially all budget, finance, and accounting personnel will now fall under the authority of the Chief Financial Officer; information technology personnel, budgets, and systems will now be managed by the Chief Information Officer; and all human capital management personnel and operations will be overseen by our Chief People Officer.

In FY 2012, GSA made strides in both fiscal management and management reforms as we:

- Supported our veterans by spending 4 percent of our contract dollars on Service-Disabled Veteran-Owned Small Business, a full percentage point above the congressionally mandated goal, following an aggressive agency-wide training and outreach campaign.
- Identified \$240 million in federal vehicle cost savings government-wide, over four years, in support of the Presidential Memorandum on Federal Fleet Performance by helping agencies to optimize fleet profiles through the GSA-developed Vehicle Allocation Methodology.
- Implemented new policies and systems to evaluate and approve conferences and travel. Through these changes, we have canceled 47 conferences and reduced travel budgets, saving \$11 million.
- Expanded the total number of sites using USASearch to nearly 1,200. In FY 2012 over 500 new websites added the USASearch feature to their site. Total annual cost avoidance across government from using USASearch is estimated at \$20M. USASearch powers more than 350,000 searches each day, with fast, relevant results that deliver superior customer experience.
- PBS disposed of 110 government real property assets, including 11 assets from its own portfolio, during FY 2012, generating \$34 million in proceeds.

- The Federal Strategic Sourcing Initiative (FSSI) for Domestic Delivery Services generated cost savings of \$38 million for 153 federal customers, by analyzing spending patterns, leveraging purchasing power, and sharing best practices.

Financial Systems and Performance Data Assurances

As outlined in the Management Assurances section of this report, GSA conducted its assessment of the effectiveness of internal control over operations, systems, and financial reporting. GSA can provide reasonable assurance that internal controls were operating effectively in each of these areas. More

detail on this topic is in the Management Assurances section of this report.

Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in financial and program performance areas and to identify corrective actions needed to resolve them. As required by the Reports Consolidation Act of 2000, I have assessed the financial and performance data used in this report, and believe it to be complete and reliable.



Dan Tangherlini
Acting Administrator
November 9, 2012

Management's Discussion and Analysis

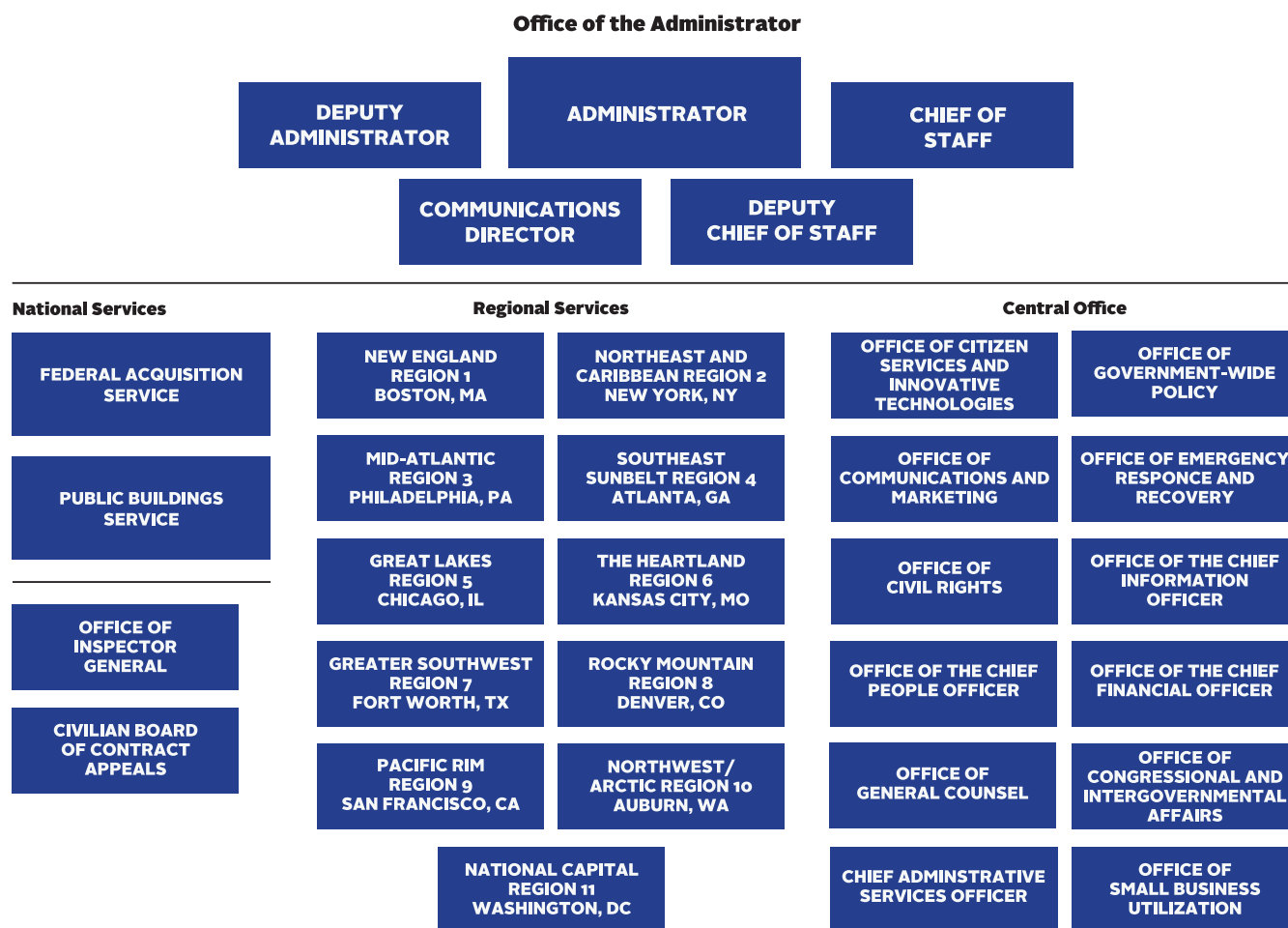
Organization

The fundamental purpose of GSA is to create efficiency for the federal government in the acquisition of goods and services needed to operate. GSA consolidates the buying power of the federal government and uses this position to serve other federal agencies in obtaining quality products and services at the best available price. GSA delivers services to its federal customers through 11 regional offices and the headquarters office in Washington, D.C. The primary sub-organizations of GSA are the Federal Acquisition Service (FAS), the Public Buildings Service (PBS), the Office of Citizen Services and Innovative Technologies (OCSIT), the Office of Government-wide Policy (OGP), 10 staff offices that support the agency, the Office of Inspector General (OIG) and the Civilian Board of Contract Appeals (CBCA). For more information on these offices, please see the Description of Independent and Central Offices in the Other Accompanying

Information section of this report. GSA has a continuing commitment to its federal customers and the U.S. taxpayers to provide services in the most cost-effective manner possible. GSA delivers on this promise by steadily improving organizational performance.

Federal Acquisition Service

FAS is the lead organization for coordinating the acquisition of products and services (other than real property) for federal customers. FAS leverages the buying power of the federal government by negotiating prices on many products and services required by federal agencies for daily operations. While these products and services may not be purchased in bulk, the pricing reflects quantity discounts that represent volume purchasing. By arranging a network of service providers FAS is able to meet the operating and mission requirements of a vast array of federal



agencies and state, local, and tribal governments. FAS business operations are organized into four portfolios based on the product or service provided to our customer: Integrated Technology Services (ITS); Assisted Acquisition Services (AAS); General Supplies and Services (GSS); and Travel, Motor Vehicles and Card Services (TMVCS).

Public Buildings Service

PBS provides facility and workspace solutions to more than 60 federal agencies. PBS is the largest public real estate organization in the United States. PBS aims to provide a superior workplace for the federal worker and superior value for the taxpayer. PBS activities fall into two broad areas: workspace acquisition and property management. Through lease and purchase transactions, PBS delivers the workspace necessary to meet the respective missions of its federal customers. By consolidating the decision-making process about facility requirements and pricing into a single organization, GSA provides a uniform front to prospective vendors and saves taxpayer money. PBS operations requires making decisions on maintenance, servicing tenants, and deciding when and how to dispose of property at the end of economic useful life. In addition, PBS is working with its federal customers to design the workplace of the 21st Century, seeking to reduce overall workspace needs and associated costs. These services are also coordinated to obtain the best available pricing.

Office of Citizen Services and Innovative Technologies

OCSIT is the focal point for data, information, and services offered by the federal government to citizens. Its mission is to provide high-quality customer service, reduce the expense and difficulty of doing business with the government, provide citizens with simpler access to government services and make government more transparent and accountable. The primary goal of OCSIT is ensuring that the public gets the information it requests. OCSIT has prepared a platform offering a consistent experience when citizens access information from the government, whether it be from the web, in print, or over the telephone. OCSIT provides access to a wide range of government services, as well as consumer protection information through the official web portals of the federal government, USA.gov and GobiernoUSA.gov. GSA's USAServices.gov provides

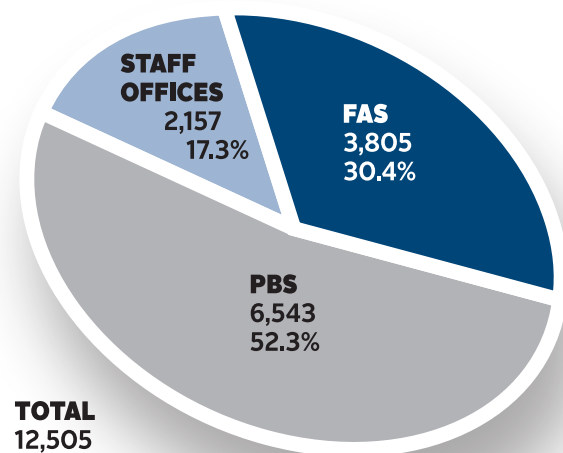
a one-stop source for information about federal government programs and services, and consumer information. This includes using new delivery channels and technology, such as social media and smart phones. OCSIT works closely with other government agencies—federal, state, local, and international—to collect and consolidate information and make it available to the public, sharing experiences that lead to better solutions.

Office of Government-wide Policy

OGP sets government-wide policy in the areas of personal and real property, travel and transportation, information technology, regulatory information, and the use of federal advisory committees. OGP seeks to ensure that government-wide policies encourage agencies to develop and use effective and efficient management practices for their operations. OGP accomplishes its work by building and maintaining a policy framework that (1) incorporates federal laws, executive orders, and other regulatory material into policies and guidelines; (2) facilitates government-wide reform by providing federal managers with business-like incentives, tools, and flexibility to manage; and (3) identifies, evaluates, and promotes best practices to improve efficiency of management processes.

FTE Breakdown By Organization

In FY 2012, GSA expended 12,505 full-time equivalents (FTE). FTE are defined as the total number of hours worked, divided by the number of compensable hours applicable to each fiscal year. Compensable hours include leave, but not holiday and overtime hours.



Performance Summary and Highlights

GSA's mission is to use expertise to provide innovative solutions for our customers in support of their missions and by so doing foster an effective, sustainable, and transparent government for the American people.

For FY 2012, GSA had three strategic goals:

- GSA will be an innovation engine for the government.
- GSA will seek an intimate understanding of and resonance with its customers in order to serve with integrity, creativity, and responsibility.
- GSA strives for performance excellence, continuous improvement, and the elimination of waste in all of its operations.

In FY 2011, GSA updated its three agency priority goals: Green the Federal Supply Chain, Open Government and Transparency, and Excellence in Solutions Delivery through Customer Portfolio Planning.

These goals identify short-term outcomes that are meaningful to the public and demonstrate progress toward achieving the GSA strategic goals. Each GSA agency priority goal aligns with a GSA strategic goal: Innovation is supported by the Green the Federal Supply Chain goal; Customer Intimacy objectives are reported in the Open Government and Transparency goal; and success in Operational Excellence will be measured, in part, by GSA performance against its goal of Excellence in Solutions Delivery through Customer Portfolio Planning.

Strategic Goal: Innovation

Agency Priority Goal: Green the Federal Supply Chain

FAS has committed to increasing the sustainability of the federal supply chain by increasing the sale of green products and service offerings to five percent of total business volume, and increasing the availability of green products and service offerings by 10 percent, relative to its total inventory by September 30, 2013.

GSA is an intermediary to the market and provides an avenue through which commercially available products and services can be delivered to federal agencies. GSA focuses efforts to increase green product and service purchases using external communications to increase awareness of environmentally friendly products and services and inform federal agencies on where they can be purchased, while working with the

federal vendor community to increase the number of green products and services offered to federal agencies.

GSA exceeded its five percent target for increasing the sale of green offerings. In FY 2012, the sale of green offerings accounted for 6.9 percent of total business volume. This is an increase of 3.7 percent over FY 2011. In addition, GSA's target for green product availability as a percentage of total inventory is 2.84 percent. In FY 2012, the total green product availability as a percentage of total inventory was 2.23 percent.

In FY 2012, GSA will continue to identify additional sustainable product and service offerings and use focused communications to educate federal agencies about available green products and services and where they can be purchased.

Strategic Goal: Customer Intimacy

Agency Priority Goal: Open Government and Transparency

OCSIT will drive greater transparency and openness in government by developing at least 10 new, innovative, and cost-effective technology-enabled solutions that improve government effectiveness and lead to government-wide cost savings by September 30, 2013.

In FY 2012, OCSIT developed the following five innovative solutions:

- The Federal Risk and Authorization Management Program (FedRAMP) provides federal agencies a mandatory, standardized, approach to cloud computing security assessment and a repository of security assessment packages that agencies can leverage to issue Authorities to Operate (ATOs). Through the use of FedRAMP, federal agencies save significant cost, time, and staff that would be required to conduct redundant security assessments.
- Data.gov Open Government Platform (OGPL) provides an open source product that developing nations, cities, and governments at any level, can use to quickly launch their own open government platforms at lower costs.
- BusinessUSA provides a one-stop, web-based platform to support the development and expansion of small and medium sized businesses in an effort to facilitate U.S. exports and grow jobs.

- The Federal Infrastructure Projects Dashboard for the Permitting Process provides a central website that increases visibility on the permitting process for high priority infrastructure projects.
- The Social Media Registry provides a central, authoritative registry of authentic government social media accounts, enabling the public to easily differentiate legitimate government social media accounts from those that are fraudulent.

Strategic Goal: Operational Excellence
Agency Priority Goal: Excellence in Solutions
Delivery through Customer Portfolio Planning

As part of a continuing effort to manage agency real estate portfolio needs in a cost-effective and environmentally sustainable manner, GSA will complete Customer Portfolio Plans (CPPs) with nine agencies by September 30, 2013. These

CPPs identify opportunities to optimize their real estate portfolios' by reducing space, improving utilization, and leveraging market opportunities to reduce costs.

In addition to the three CPPs completed in FY 2011, which identified millions of dollars in potential savings, GSA completed an additional three CPPs in FY 2012 with the Department of Commerce, the Securities and Exchange Commission, and the Federal Emergency Management Administration. GSA is currently implementing many of the projects outlined in those CPPs.

In FY 2013, GSA will partner with three additional agencies and produce CPPs. GSA will also continue to monitor the performance of CPP projects that have been implemented and prioritize the implementation of remaining opportunities.

Financial Statements Analysis and Summary

KPMG LLP issued an unqualified “clean” opinion on GSA's FY 2012 financial statements. Agency management is accountable for the integrity of the financial information presented in the financial statements. The financial statements and financial data presented in this report have been prepared from GSA accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB). The Consolidated Statements of Net Cost present, by major program and activity, the revenues and expenses incurred to provide goods and services to our customers. This presentation does not directly align with the strategic and agency priority goals, which focus on qualitative aspects such as innovation, customer intimacy, and operational excellence.

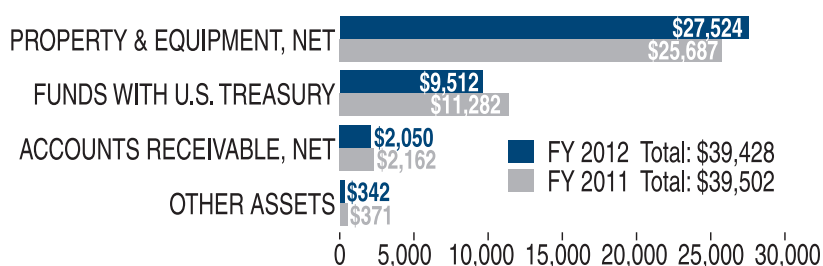
CONSOLIDATED FINANCIAL RESULTS

GSA Assets

GSA assets include federal buildings, motor vehicles, and office equipment (Property and Equipment); cash balances held in the U.S. Treasury (Fund Balance with Treasury); and debts owed to GSA from other federal agencies, primarily for sales transactions or rent that was not collected (Accounts Receivable). In FY 2012, GSA reported Total Assets

of \$39.4 billion compared to FY 2011 Total Assets of \$39.5 billion, a net decrease of \$74 million. As a result of GSA beginning to complete American Recovery and Reinvestment Act (ARRA) construction projects, Total Property and Equipment increased by \$1.8 billion and the Fund Balance with Treasury decreased by \$1.7 billion.

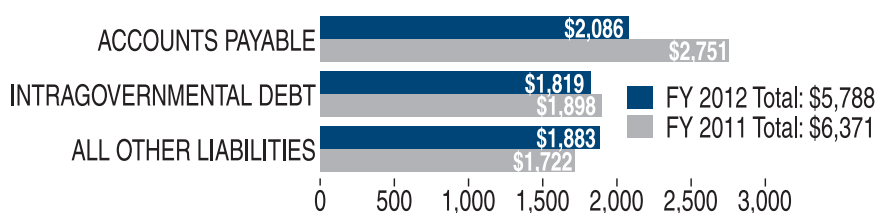
GSA Assets in millions



GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors but not yet paid (Accounts Payable) and amounts GSA owes to other federal entities (Intragovernmental Debt). In FY 2012, Total Liabilities were \$5.8 billion; a net decrease of \$583 million compared to FY 2011 Total Liabilities of \$6.3 billion. This was the result of Accounts Payable and Accrued Expenses decreasing by \$659 million, caused by decreases in business volume for some FAS programs as well as PBS completing ARRA projects.

GSA Liabilities in millions



GSA Revenue

GSA reported \$21 billion in revenue during FY 2012 compared to \$20 billion reported in FY 2011, an increase of \$817 million. Net Revenues from Operations were \$136 million, a \$103 million increase compared to FY 2011 Net Revenues from Operations of \$33 million.

FINANCIAL RESULTS BY MAJOR FUND – FEDERAL BUILDINGS FUND

The Federal Buildings Fund (FBF) is the primary fund of the Public Buildings Service (PBS). PBS provides workplaces for federal agencies and their employees. FBF is primarily supported by rent paid to GSA from other federal entities.

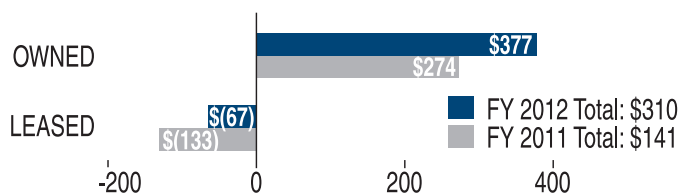
FBF Top 5 Customers	Revenues (\$ in Millions)	Percentage of Total Revenues
Dept. of Justice	\$1,854	16%
Dept. of Homeland Security	\$1,822	16%
Federal Judiciary	\$1,195	10%
Social Security Administration	\$820	7%
Dept. of the Treasury	\$818	7%

FY 2012 FBF gross revenue was \$11.5 billion, with over half the revenue from five federal customer agencies as shown in the FBF Top 5 Customers table.

FBF Net Revenues from Operations

FBF Net Revenues from Operations represents the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenues from Operations are used to invest in major repairs and alterations to federal buildings and to partially offset costs of constructing new federal buildings.

FBF Net Revenues from Operations *in millions*



Revenues and expenses in FBF are primarily from building operations and rent. FBF also operates a Reimbursable Work Authorization (RWA) program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in the base rental agreement. FBF reported net revenue of \$310 million. Overall net

revenues increased by \$169 million, from \$141 million in FY 2011. This was due to a \$103 million increase in net revenue from owned building operations and a \$66 million decrease in the net cost of leased building operations.

FBF Obligations and Outlays

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new federal buildings; for repairs, cleaning, utilities, and other maintenance of GSA-owned federal buildings; and lease and related payments to commercial landlords for space leased by GSA for federal agencies.

FBF Obligations and Outlays (\$ in Millions)	FY 2012	FY 2011	Change (\$)	Change (%)
Obligations Incurred	\$10,985	\$11,443	(\$458)	-4.00%
Gross Outlays	\$13,097	\$12,664	\$433	3.42%
Offsetting Collections	\$11,536	\$10,956	\$580	5.29%

FBF Obligations Incurred decreased by more than \$450 million between FY 2011 and FY 2012. This significant reduction in obligations is the direct result of the depletion of ARRA resources and reduced ordering as

the initiation of projects is winding down. Outlays and Collections increased during FY 2012. Outlays are payments made by the government, once goods and services are received at an acceptable level of quality and completeness. Offsetting collections increased which, represent revenues collected from other federal agencies that offset expenditures made by GSA on behalf of other federal agencies also increased.

FINANCIAL RESULTS BY MAJOR FUND – ACQUISITION SERVICES FUND

The Acquisition Services Fund (ASF) is a revolving fund, which operates on the revenue generated from its business lines rather than an appropriation received from Congress. It is the primary fund of the Federal Acquisition Service (FAS). FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: Integrated Technology Services (ITS); Assisted Acquisition Services (AAS); General Supplies and Services (GSS); Travel, Motor Vehicle, and Card Services (TMVCS). FAS consolidates common requirements from multiple federal agencies and uses its negotiating expertise to acquire products and services at better prices and terms than agencies could obtain individually.

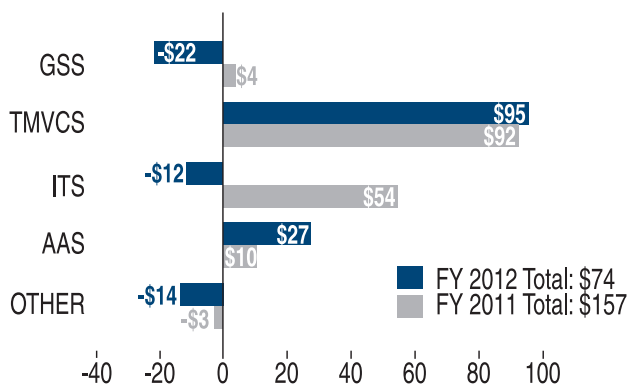
ASF Top 5 Customers	Revenues (\$ in Millions)	Percentage of Total Revenues
Dept. of Defense	\$2,565	27%
Dept. of Homeland Security	\$1,516	16%
Dept. of Agriculture	\$903	9%
Dept. of Justice	\$653	7%
Dept. of Health	\$484	5%

In FY 2012, ASF realized \$9.8 billion in revenues. The majority of revenues were from the five agencies shown in the ASF Top 5 Customers table.

ASF Net Revenues from Operations

ASF Net Revenues from Operations represent the amounts remaining after the costs of goods and services sold and FAS operating expenses are subtracted from revenues earned during the year. Net Revenues from Operations are used to invest in the GSA Fleet, information technology systems, other investments to improve FAS service levels, and to comply with regulatory and statutory requirements. ASF reported net revenues of \$74 million during FY 2012, which is \$83 million less than FY 2011 results of \$157 million. The largest decrease in net revenues occurred in the ITS portfolio where results were \$66 million lower than the prior year. This is primarily attributed to ITS recovering \$60 million during FY 2011 in settlement with a vendor related to unallowable surcharges billed to the government. This settlement was recorded as an offset to expense in the ITS portfolio in FY 2011. Without this credit, the difference between FY 2012 and FY 2011 results in the ITS portfolio would have been a \$6 million decrease.

ASF Net Revenues from Operations in millions



ASF Obligations, Outlays and Collections

ASF obligations and outlays are primarily driven by contracts awarded to commercial vendors, who provide goods and services to federal agencies. Obligations Incurred decreased by more than \$450 million between FY 2011 and FY 2012. The decrease is primarily attributable to lower business volume in the General Supplies and Services (GSS) portfolio. Outlays and Offsetting Collections both increased.

ASF Obligations & Outlays (\$ in Millions)	FY 2012	FY 2011	Change (\$)	Change (%)
Obligations Incurred	\$10,912	\$11,363	(\$451)	-3.97%
Gross Outlays	\$11,085	\$10,344	\$741	7.16%
Offsetting Collections	\$10,956	\$10,413	\$543	5.21%

Limitations of Financial Statements

The principal financial statements report the financial position and results of GSA operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from GSA books and records in accordance with generally accepted accounting principles (GAAP) for federal entities and the format prescribe by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

GSA Management Assurances

STATEMENT OF ASSURANCE

The U.S. General Services Administration's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). GSA conducted its assessment of the effectiveness of internal control over operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, GSA can provide reasonable assurance that internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations met the objectives of FMFIA and no material weaknesses were found in the design or operation of the internal controls as of September 30, 2012.

Successful implementation of the GSA internal control program ensures that programs are managed efficiently and effectively while deterring waste, fraud, abuse, and mismanagement. In FY 2012, GSA performed full internal control assessments of many of its programs, including risk analysis and risk assessments. These reviews combined with management's assessment of internal controls enable GSA to provide reasonable assurance that the key accountability objectives are being met and that significant risks are adequately mitigated for all GSA programs.

GSA conducted its assessment of the effectiveness of internal control over financial reporting in accordance with Appendix A of OMB Circular A-123. Based on the results of this assessment, GSA can provide reasonable assurance that internal controls over financial reporting as of September 30, 2012 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. In addition, OMB Circular A-127, *Financial Management Systems*, requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards, and the USSGL. GSA assessed its degree of substantial compliance by utilizing the FFMIA Risk Model. GSA financial management systems were found to substantially comply with FFMIA as of September 30, 2012.



Dan Tangherlini
Acting Administrator
November 8, 2012

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT SECTION 2

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal control and financial systems that provide reasonable assurance of achieving the three objectives of internal control, which are:

- Effectiveness and efficiency of operations;
- Compliance with regulations and applicable laws; and
- Reliability of financial reporting.

FMFIA requires the agency head to provide an annual Statement of Assurance on whether the agency has met these requirements. The Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, implements the FMFIA and defines management's responsibility for internal control in federal agencies. FMFIA requires agencies to establish internal control over their programs, financial reporting, and financial management systems.

Accordingly, GSA conducted internal control reviews of agency program components to verify that all significant risks are identified, tested, evaluated, and mitigated timely and effectively. These reviews also confirm that audit findings are addressed in a timely and effective manner and corrective action plans are implemented. For FY 2012, GSA provides assurance on the effectiveness of the internal control over operations, management systems, and financial reporting with consideration to all internal and external reviews of the agency. The Summary of GSA's Financial Statement Audit and Management Assurances table is provided in the Other Accompanying Information section of this report.

In FY 2012, GSA strengthened management practices and internal controls to assure the integrity of its programs, operations, and business and financial management systems. This effort included an increased

focus on risk management and risk analysis on all programs. GSA completed all the requirements of OMB Circular A-123; the Office of Federal Procurement Policy's (OFPP) Memorandum entitled, *Conducting Acquisition Assessments under OMB Circular A-123*; the FMFIA; OMB Circular A-127 *Financial Management Systems*; the Federal Financial Management Improvement Act (FFMIA); and the Federal Information Security Management Act (FISMA) as the foundation of effective management operations and internal controls.

GSA management strengthened financial and operational controls by implementing new policies and procedures related to management and approval of conferences

FMFIA Annual Assurance Process



and award ceremonies; personnel compensation; and recruitment relocation and retention incentives.

The Procurement Management Review (PMR) team collaborated with the Office of the Chief Financial Officer A-123 Internal Control Review team to jointly conduct financial and acquisition reviews in several regional offices. Some of these PMR reviews assessed the effectiveness of the specific control deficiencies identified by GSA external auditors. By analyzing activities from both an acquisition and financial perspective, GSA addressed control issues that involved financial and acquisition functions. As these reviews were completed, results were presented to management through the GSA Management Control and Oversight Council as the basis for determining the state of management assurances. Any identified control deficiencies are tracked through a database application and monitored for timely and accurate implementation of corrective actions.

GSA can provide reasonable assurance that internal controls over financial reporting are operating effectively and that there are no material weaknesses relating to the design or operation of internal controls over financial reporting.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT SECTION 4

GSA evaluates its financial management systems annually for compliance with federal financial management systems requirements, applicable federal accounting standards, and U.S. Standard General Ledger (USSGL) recording and reporting requirements. In FY 2012, GSA evaluated its financial management systems controls and compliance by completing independent systems certification and accreditation reviews, submitting Senior Agency Information Security Officer (SAISO) reports, conducting OMB Circular A-123 reviews, and evaluating risk indicators contained in the FFMIA Compliance Risk Model. GSA also reviewed pertinent audit reports issued in FY 2012, evaluated the status of prior year systems-related issues, and discussed the details of pertinent systems-related control issues with senior managers and auditors.

In FY 2012, improvements were made to strengthen GSA IT systems controls in the areas of segregation of

duties, audit logging, and monitoring controls. External audit results indicate additional actions are required to improve system access control and audit logging for certain IT systems. GSA is addressing these issues by taking short- and long-term actions to strengthen managerial, operational, and technical systems controls for critical program and financial management systems.

In assessing compliance with FFMIA, GSA adheres to the revised implementation guidance provided by OMB and considers the results of GSA Office of the Inspector General and U.S. Government Accountability Office audit reports, annual financial statement audits, FISMA compliance reviews, risk assessments, and other systems-related review and monitoring activities. Based on all information assessed, the acting administrator has determined that GSA financial management systems are in substantial compliance with FFMIA requirements for FY 2012.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

FISMA requires federal agencies to implement a mandatory set of processes and system controls designed to ensure the confidentiality, integrity, and availability of system-related information. The processes and systems controls in each federal agency must follow established Federal Information Processing Standards, National Institute of Standards and Technology standards, and other legislative requirements pertaining to federal information systems, such as the Privacy Act of 1974.

To facilitate FISMA compliance, GSA maintains a formal program for information security management focused on FISMA requirements, protecting GSA IT resources, and supporting the GSA mission. This program consists of policies, procedures, and processes to mitigate new threats and anticipate risks posed by new technologies. Designated GSA information system security managers and information system security officers implement information security requirements in accordance with FISMA requirements and GSA policies.

GSA continues to address weaknesses identified in its Plan of Action and Milestones. GSA annually provides security and privacy awareness training for over 16,000 employees and contractors. Privacy Impact Assessments

were completed on all applicable systems, and GSA continues to implement the provisions in OMB M-o6-15, *Safeguarding Personally Identifiable Information*.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

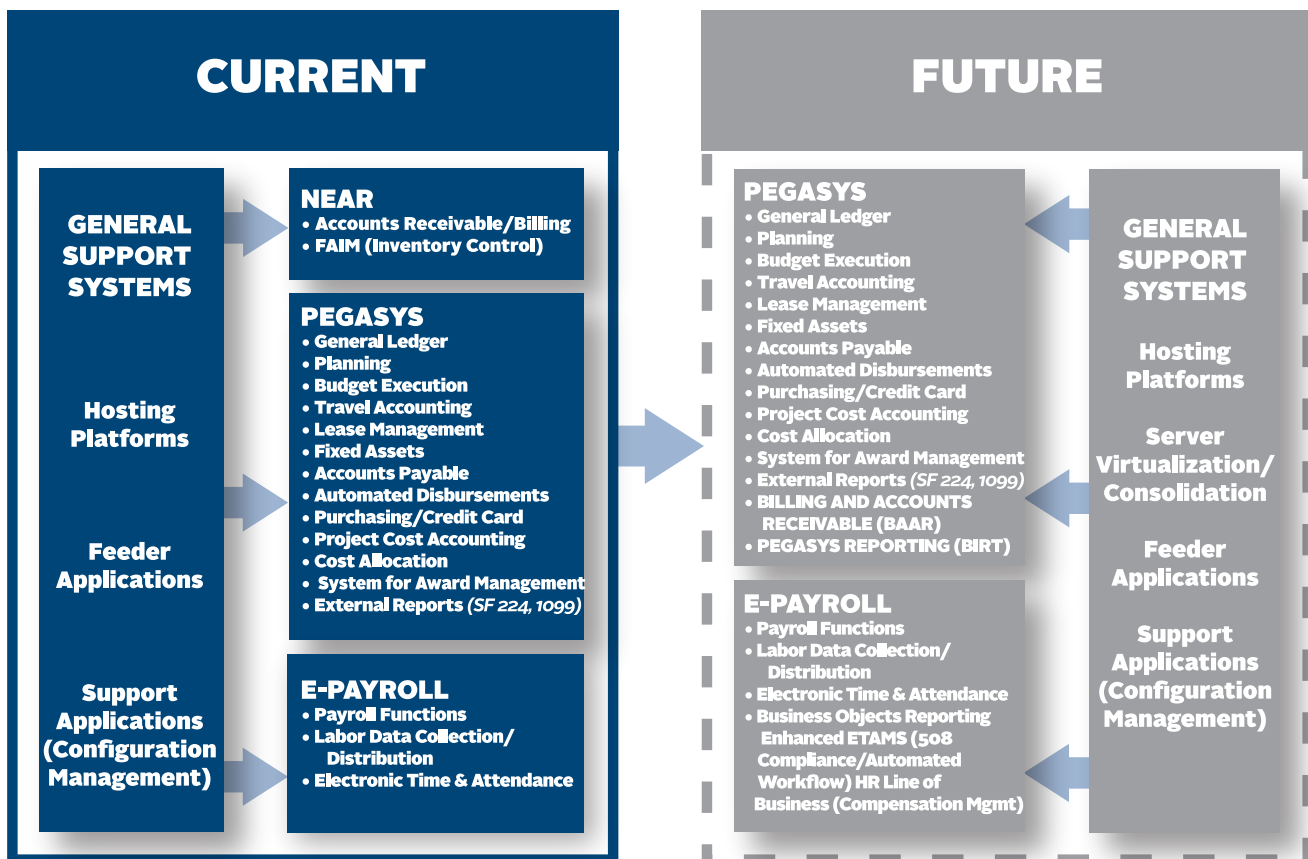
The Chief Financial Officers Act assigns responsibilities for planning, developing, maintaining, and integrating financial management systems within federal agencies. As depicted on the Financial Management Systems Framework chart below, GSA currently maintains a core accounting system, Pegasys; E-Payroll applications; portions of its legacy core accounting system, National Electronic and Accounting Reporting (NEAR); and general support systems which operate on a variety of hosting platforms to support various feeder applications. In FY 2012, GSA continued its progress in financial

systems modernization and improvement in support of this financial management systems framework. To achieve its strategic goals GSA will continue efforts to:

- Retire NEAR by transferring billing and accounts receivable and other remaining functionality to Pegasys;
- Implement subsequent phases of the Common Government-wide Accounting Classification structure; and
- Streamline, consolidate, and modernize financially-oriented general support systems.

These strategies support GSA financial management system goals of reducing financial system operating and maintenance costs, and enhancing compliance and IT security controls.

Financial Management System Framework



Financial Section

Letter from the Acting Chief Financial Officer

I am pleased to present the fiscal year (FY) 2012 financial statements for the U.S. General Services Administration (GSA).

In FY 2012, GSA took steps to reposition itself as a more effective steward of taxpayer money and to provide more value to its customer agencies across the federal government. The acting administrator, who arrived at GSA on April 2, 2012, began this process by conducting an exacting top to bottom review of every GSA office. This review examined the agency's organizational structure, business practices, and culture, while also working to develop new strategies for meeting the agency's statutory mission.

One major step taken to transform GSA was the consolidation of financial management functions across the agency. All budget, finance, accounting, and internal control functions and employees in the Public Buildings Service, the Federal Acquisition Service, and GSA's 11 Regional Offices were transferred to the Office of the Chief Financial Officer (OCFO). This new financial organization centralizes in the OCFO the accountability, responsibility, and authority for all financial policy and operations in the agency. It will also promote better transparency and reporting of GSA's financial decisions, and allows for an expanded and more rigorous internal control program across the agency. The change will also save the agency money by eliminating duplicative activities and standardizing operating procedures in offices across the country.

The initial work related to this reorganization is complete, but additional analysis and alignment are required to refine and improve the new OCFO organization. These activities will continue to be a priority in the next fiscal cycle.

In addition to the consolidation of all financial activities, GSA took a number of other actions in the latter half of FY 2012 to re-enforce financial controls and to improve fiscal discipline, including:

- Dramatically cutting agency spending on travel and conferences – including cancelling 47 conferences – and instituting new, centralized reviews and approvals for all employee travel and GSA-hosted conferences.

- Restricting the use of recruitment, relocation, and retention bonuses, as well as other employee incentives and special pay, and instituting a new requirement that both the Chief Financial Officer (CFO) and the Chief People Officer must approve any special pay in the agency.
- Instituting a more rigorous budget formulation process to increase the CFO's central budgetary control across the agency by at least one organizational level, and in most cases by two organizational levels.
- Instituting a senior level committee, co-chaired by the CFO and Chief Information Officer, to review and approve all IT spending transactions above \$150,000, and to identify IT spending that is duplicative, inconsistent with policy, or not aligned with the agency's strategic goals.
- Reducing the amount for the Senior Executive Service annual bonus pool by 85 percent for FY 2012 performance.
- Eliminating funding for all organizational performance awards (i.e., group awards) for FY 2012 performance, and eliminating peer recognition awards programs.
- Instituting agency-wide hiring controls that have reduced the agency's hiring to approximately one tenth its traditional rate.

Based on an independent audit, GSA has received an unqualified "clean" audit opinion on its financial statements, representing the sixth consecutive clean opinion. The audit opinion reflects a financial operation that meets U.S. Department of the Treasury guidance, federal financial regulations, and generally accepted accounting principles.

I would like to thank the financial management professionals throughout GSA for their hard work and dedication over the last year. I am confident these employees will continue to seek ways to deliver more value to GSA's customers and to improve the agency's financial compliance, accountability, and transparency.



Gary Grippo
Acting Chief Financial Officer
November 8, 2012

Consolidating Balance Sheets

As of September 30, 2012 and 2011
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
ASSETS										
Intragovernmental Assets:										
Fund Balance with Treasury (Notes 1-D, 2)	\$ 7,813	\$ 9,451	\$ 1,095	\$ 1,224	\$ 604	\$ 607	\$ -	\$ -	\$ 9,512	\$ 11,282
Accounts Receivable - Federal, Net (Note 4)	577	558	1,353	1,474	8	4	19	25	1,919	2,011
Prepaid Expenses and Advances - Federal	3	5	1	1	-	-	-	-	4	6
Total Intragovernmental	8,393	10,014	2,449	2,699	612	611	19	25	11,435	13,299
Inventories (Note 1-E)	-	-	151	207	-	-	-	-	151	207
Accounts Receivable - Public, Net (Note 4)	19	21	95	105	17	25	-	-	131	151
Other Assets (Note 5)	129	109	57	49	1	-	-	-	187	158
Property and Equipment (Notes 1-F, 6)										
Buildings	37,142	34,046	-	-	-	-	-	-	37,142	34,046
Leasehold Improvements	299	319	34	30	-	-	-	-	333	349
Telecommunications and ADP Equipment	-	-	85	89	-	-	-	-	85	89
Motor Vehicles	-	-	4,868	4,731	-	-	-	-	4,868	4,731
Other Equipment	190	162	265	232	170	141	-	-	625	535
Less: Accumulated Depreciation and Amortization	(19,377)	(18,042)	(2,010)	(1,904)	(127)	(108)	-	-	(21,514)	(20,054)
Subtotal	18,254	16,485	3,242	3,178	43	33	-	-	21,539	19,696
Land	1,602	1,545	-	-	-	-	-	-	1,602	1,545
Construction in Process and Software in Development	4,352	4,426	22	20	9	-	-	-	4,383	4,446
Total Property and Equipment, Net	24,208	22,456	3,264	3,198	52	33	-	-	27,524	25,687
Total Assets	\$ 32,749	\$ 32,600	\$ 6,016	\$ 6,258	\$ 682	\$ 669	\$ 19	\$ 25	\$ 39,428	\$ 39,502
LIABILITIES AND NET POSITION										
Intragovernmental Liabilities:										
Accounts Payable and Accrued Expenses - Federal	\$ 54	\$ 65	\$ 24	\$ 26	\$ 12	\$ 11	\$ 19	\$ 25	\$ 71	\$ 77
Judgment Fund Liability	424	405	-	-	-	-	-	-	424	405
Intragovernmental Debt (Notes 7, 12)	1,819	1,898	-	-	-	-	-	-	1,819	1,898
Other Intragovernmental Liabilities (Notes 10, 12)	118	46	14	19	85	33	-	-	217	98
Total Intragovernmental	2,415	2,414	38	45	97	44	19	25	2,531	2,478
Accounts Payable and Accrued Expenses - Public	1,099	1,388	907	1,264	9	22	-	-	2,015	2,674
Environmental and Disposal Liabilities (Notes 6, 11, 12)	119	112	-	-	102	100	-	-	221	212
Capital Lease and Installment Purchase Liability	404	385	-	-	-	-	-	-	404	385
Workers' Compensation Actuarial Liability (Notes 8, 12)	87	87	30	29	16	16	-	-	133	132
Unamortized Rent Abatement Liability	292	241	-	-	-	-	-	-	292	241
Annual Leave Liability (Notes 1-G, 12)	54	56	34	34	22	22	-	-	110	112
Deposit Fund Liability	-	-	-	-	31	42	-	-	31	42
Other Liabilities (Notes 10, 12)	25	36	8	8	18	51	-	-	51	95
Total Liabilities	4,495	4,719	1,017	1,380	295	297	19	25	5,788	6,371
NET POSITION (Note 15)										
Cumulative Results of Operations	27,049	25,142	4,999	4,878	292	277	-	-	32,340	30,297
Unexpended Appropriations	1,205	2,739	-	-	95	95	-	-	1,300	2,834
Total Net Position	28,254	27,881	4,999	4,878	387	372	-	-	33,640	33,131
Total Liabilities and Net Position	\$ 32,749	\$ 32,600	\$ 6,016	\$ 6,258	\$ 682	\$ 669	\$ 19	\$ 25	\$ 39,428	\$ 39,502

U.S. General Services Administration

Consolidating Statements of Net Cost

For the Fiscal Years Ended September 30, 2012 and 2011
(Dollars in Millions)

	2012			2011		
	Revenues	Expenses	Net Revenues from (Cost of) Operations	Revenues	Expenses	Net Revenues from (Cost of) Operations
FEDERAL BUILDINGS FUND:						
Building Operations - Government Owned	\$ 4,657	\$ 4,280	\$ 377	\$ 4,566	\$ 4,292	\$ 274
Building Operations - Leased	6,822	6,889	(67)	6,437	6,570	(133)
Subtotal	11,479	11,169	310	11,003	10,862	141
ACQUISITION SERVICES FUND:						
General Supplies and Services	1,568	1,590	(22)	1,674	1,670	4
Travel, Motor Vehicles, and Card Services	1,995	1,900	95	1,987	1,895	92
Integrated Technology Services	1,553	1,565	(12)	1,454	1,400	54
Assisted Acquisition Services	4,621	4,594	27	4,305	4,295	10
Other Programs	60	74	(14)	57	60	(3)
Subtotal	9,797	9,723	74	9,477	9,320	157
OTHER FUNDS:						
Working Capital Fund	439	432	7	449	485	(36)
GSA OE and OGP Funds	12	148	(136)	22	154	(132)
Other Funds	11	145	(134)	7	151	(144)
Subtotal	462	725	(263)	478	790	(312)
INTRA-GSA ELIMINATIONS:						
Less: Intra-GSA Eliminations	695	710	(15)	732	779	(47)
GSA Consolidated Totals	\$ 21,043	\$ 20,907	\$ 136	\$ 20,226	\$ 20,193	\$ 33

Consolidating Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2012 and 2011
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Beginning Balance of Net Position:										
Cumulative Results of Operations	\$ 25,142	\$ 23,002	\$ 4,878	\$ 4,657	\$ 277	\$ 287	\$ -	\$ -	\$ 30,297	\$ 27,946
Unexpended Appropriations	2,739	4,678	-	-	95	116	-	-	2,834	4,794
Net Position Beginning Balance	27,881	27,680	4,878	4,657	372	403	-	-	33,131	32,740
Results of Operations:										
Net Revenue From (Cost of) Operations	310	141	74	157	(263)	(312)	(15)	(47)	136	33
Appropriations Used (Note 1-C)	1,534	1,914	-	-	224	246	-	-	1,758	2,160
Non-Exchange Revenue (Notes 1-C, 1-D)	1	-	-	-	221	52	-	-	222	52
Imputed Financing Provided By Others	56	85	44	58	23	30	15	47	108	126
Transfer of Earnings Paid and Payable to U.S. Treasury	-	-	-	-	(199)	(32)	-	-	(199)	(32)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	6	-	3	5	11	10	-	-	20	15
Other	-	-	-	1	(2)	(4)	-	-	(2)	(3)
Net Results of Operations	1,907	2,140	121	221	15	(10)	-	-	2,043	2,351
Changes in Unexpended Appropriations:										
Appropriations Received	-	-	-	-	239	242	-	-	239	242
Appropriations Used	(1,534)	(1,914)	-	-	(224)	(246)	-	-	(1,758)	(2,160)
Appropriations Adjustments and Transfers From Other Agencies or Funds	-	(25)	-	-	(15)	(17)	-	-	(15)	(42)
Net Change in Unexpended Appropriations	(1,534)	(1,939)	-	-	-	(21)	-	-	(1,534)	(1,960)
Ending Balance of Net Position:										
Cumulative Results of Operations	27,049	25,142	4,999	4,878	292	277	-	-	32,340	30,297
Unexpended Appropriations	1,205	2,739	-	-	95	95	-	-	1,300	2,834
Net Position Ending Balance	\$ 28,254	\$ 27,881	\$ 4,999	\$ 4,878	\$ 387	\$ 372	\$ -	\$ -	\$ 33,640	\$ 33,131

U.S. General Services Administration

Combining Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2012 and 2011
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		GSA COMBINED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011
BUDGETARY RESOURCES								
Unobligated Balance from Prior Year Budget Authority:								
Unobligated Balance Brought Forward, October 1	\$ 5,246	\$ 5,936	\$ 1,781	\$ 1,750	\$ 233	\$ 235	\$ 7,260	\$ 7,921
Recoveries of Prior Year Unpaid Obligations	306	292	400	375	10	22	716	689
Other Changes in Unobligated Balance	(80)	(71)	-	-	(6)	(7)	(86)	(78)
Unobligated Balance from Prior Year Budget Authority, Net	5,472	6,157	2,181	2,125	237	250	7,890	8,532
Appropriations	-	(25)	-	-	260	265	260	240
Spending Authority from Offsetting Collections								
Collections	11,536	10,956	10,956	10,413	491	501	22,983	21,870
Change in Uncollected Customer Payments	(266)	808	(326)	607	30	(1)	(562)	1,414
Previously Unavailable	2,239	1,032	-	-	-	-	2,239	1,032
Resources Temporarily Not Available	(3,280)	(2,239)	-	-	-	-	(3,280)	(2,239)
Transfers	1	-	-	-	-	-	1	-
Total Spending Authority from Offsetting Collections	10,230	10,557	10,630	11,020	521	500	21,381	22,077
Total Budgetary Resources	15,702	16,689	12,811	13,145	1,018	1,015	29,531	30,849

STATUS OF BUDGETARY RESOURCES								
Obligations Incurred:								
Direct								
Category A	-	-	-	-	245	241	245	241
Category B	48	437	-	-	11	20	59	457
Reimbursable								
Category A	-	-	9,768	10,130	540	521	10,308	10,651
Category B	10,937	11,006	1,144	1,233	-	-	12,081	12,239
Total Obligations Incurred	10,985	11,443	10,912	11,363	796	782	22,693	23,588
Unobligated Balance:								
Apportioned	4,679	4,683	1,850	1,758	79	105	6,608	6,546
Unapportioned	38	563	49	24	143	128	230	715
Total Unobligated Balance, End of Period	4,717	5,246	1,899	1,782	222	233	6,838	7,261
Total Status of Budgetary Resources	15,702	16,689	12,811	13,145	1,018	1,015	29,531	30,849

CHANGE IN OBLIGATED BALANCE								
Obligated Balance, Start of Year:								
Unpaid Obligations, Brought Forward, October 1, Gross	7,068	8,581	5,577	4,933	202	236	12,847	13,750
Uncollected Customer Payments, Brought Forward, October 1	(5,073)	(4,265)	(6,134)	(5,528)	(9)	(10)	(11,216)	(9,803)
Total Obligated Balance, Start of Year, Net	1,995	4,316	(557)	(595)	193	226	1,631	3,947
Obligations Incurred	10,985	11,443	10,912	11,363	796	782	22,693	23,588
Outlays, Gross	(13,097)	(12,664)	(11,085)	(10,344)	(751)	(794)	(24,933)	(23,802)
Change in Uncollected Customer Payments from Federal Sources	266	(808)	326	(607)	(30)	1	562	(1,414)
Recoveries of Prior Year Unpaid Obligations	(306)	(292)	(400)	(375)	(10)	(22)	(716)	(689)
Obligated Balance, End of Period:								
Unpaid Obligations, End of Period, Gross	4,650	7,068	5,004	5,577	237	202	9,891	12,847
Uncollected Customer Payments from Federal Sources, End of Period	(4,807)	(5,073)	(5,808)	(6,135)	(39)	(9)	(10,654)	(11,217)
Total Obligated Balance, End of Period, Net	(157)	1,995	(804)	(558)	198	193	(763)	1,630

BUDGET AUTHORITY AND OUTLAYS, NET								
Budget Authority, Gross	10,230	10,532	10,630	11,020	781	765	21,641	22,317
Actual Offsetting Collections	(11,536)	(10,956)	(10,956)	(10,413)	(491)	(501)	(22,983)	(21,870)
Change in Uncollected Customer Payments from Federal Sources	266	(808)	326	(607)	(30)	1	562	(1,414)
Budget Authority, Net	(1,040)	(1,232)	-	-	260	265	(780)	(967)
Gross Outlays	13,097	12,664	11,085	10,344	751	794	24,933	23,802
Less: Offsetting Collections	(11,536)	(10,956)	(10,956)	(10,413)	(491)	(501)	(22,983)	(21,870)
Net Outlays from Operating Activity	1,561	1,708	129	(69)	260	293	1,950	1,932
Distributed Offsetting Receipts	-	-	-	-	(193)	(42)	(193)	(42)
Total Net Outlays	\$ 1,561	\$ 1,708	\$ 129	\$ (69)	\$ 67	\$ 251	\$ 1,757	\$ 1,890

Notes to the Financial Statements

For the Fiscal Years Ended September 30, 2012 and 2011

GSA was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other funds have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF is the primary fund used to record activities of the Federal Acquisition Service (FAS).

GSA's accompanying financial statements include the accounts of all funds, which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

Revolving Funds are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The Revolving Funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 18 General Fund accounts of which four are funded by current year appropriations, two by no-year appropriations, three by multi-year appropriations, two cannot incur new obligations, and five budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Budget Clearing Account – Broker Rebates
- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account - Undistributed Intragovernmental Payments
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Presidential Transition
- Government-Wide Policy – Multi-Year
- Government-Wide Policy – Recovery Act
- Integrated, Efficient and Effective Uses of Information Technology (EOP)
- Office of Inspector General (OIG)
- Office of Inspector General – Recovery Act
- Operating Expenses, GSA
- Operating Expenses, Government-Wide Policy
- Real Property Relocation

Special Funds are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, these Special Funds are classified as earmarked funds. Although immaterial, earmarked fund balances are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the

Acquisition Workforce Training program. GSA's Special Funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfer of Surplus Real and Related Personal Property

Miscellaneous Receipt and Deposit Fund accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-federal Sources
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified

- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

In the FBF, Electronic Government Fund, and Real Property Relocation Fund, GSA has delegated certain program and financial operations of a portion of these funds to other federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies. Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations and budget apportionments are derived. For FY 2012, GSA has allocation accounts in this regard with the Departments of Treasury and Commerce. In FY 2011, GSA also held an allocation account with the Department of Homeland Security, in addition to the federal entities mentioned for FY 2012.

During FY 2012, GSA received an allocation transfer from OMB, where GSA (child), is executing certain activities of the Integrated, Efficient and Effective Uses of Information Technology Fund on behalf of the Executive Office of the President (EOP). In accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with generally accepted accounting principles (GAAP) as promulgated by FASAB, and OMB Circular A-136, in all material respects. FASAB SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting*

Principles, Including the Application of Standards Issued by the Federal Accounting Standards Board, established the hierarchy of GAAP for federal financial statements. The Consolidating Statements of Net Cost present the operating results of the FBF, ASF and Other Funds, as well as GSA Consolidated operating results as a whole. The Consolidating Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidating Statements of Changes in Net Position display the changes in equity accounts. The Combining Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA budgetary resources.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Certain prior-year balances have been reclassified to conform to the current year presentation.

On the Consolidating Statements of Net Cost, Consolidating Balance Sheets and Consolidating Statements of Changes in Net Position, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the CSBR. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and

related accounts payable accruals and estimates are recorded in the period goods or services are received.

C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA funds on the Consolidating Statements of Net Cost are generated from intragovernmental sales of goods and services, with only two percent of revenues earned from non-federal customers. Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only one percent of operating expenses resulting from purchases from other federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-federal customers is generally very insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

- In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies housed in government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method. For these reimbursable projects, GSA charges customers only actual cost, and makes no profit. As a result, revenues are generally earned to match costs incurred.

- In the ASF, General Supplies and Services revenues are recognized when goods are provided to customers. In the Travel, Motor Vehicle, and Card Services portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. Assisted Acquisition Services revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated \$299 million in fees, constituting three percent of ASF revenues in FY 2012, and \$302 million, three percent of ASF revenues, in FY 2011. Integrated Technology Services revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.
- In the WCF, revenues are generally recognized when general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidating Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury. Non-Exchange Revenues are reported net of associated bad debt expense on uncollectible accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are

reported as an element of Net Position on the Consolidating Balance Sheets.

D. Fund Balance with Treasury

This total represents all unexpended balances for GSA accounts with the U.S. Treasury. Amounts in Fund Balance with Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the federal government. Adjustments are only made to those amounts when significant differences are identified.

GSA acts as a disposal agent for surplus federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

E. Inventories

Inventories held for sale to other federal agencies consist primarily of ASF inventories valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another federal agency, sold, or donated to state or local governments.

F. Property and Equipment (See Note 6)

Generally, property and equipment purchases and additions of \$10,000 or more, and having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of \$50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon completion of the project. The majority of all land, buildings and leasehold improvements are leased to other federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. It is GSA policy to capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Telecommunications and Automated Data Processing (ADP) Equipment are used in operations to perform services for other federal agencies for which billings

are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and ADP Equipment, and Other Equipment categories are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, *Accounting for Internal Use Software*, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to 10 years. Capitalized software is reported as an element of Other Equipment on the Consolidating Balance Sheets.

G. Annual, Sick and Other Types of Leave

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

2. FUND BALANCE WITH TREASURY

A. Reconciliation to U.S. Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2012 and 2011.

B. Balances by Fund Type

The most significant amounts for GSA in Fund Balance with Treasury are in the FBF and ASF revolving funds. Within the Other Funds category, Special Receipt, and Special and Trust Expenditure Funds are classified as earmarked funds in accordance with FASAB SFFAS No. 27. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2012	2011
Revolving Funds	\$ 271	\$ 275
Appropriated and General Funds	109	113
Clearing Funds	15	13
Special Receipt Funds	136	126
Special and Trust Expenditure Funds	41	38
Deposit Funds	32	42
Total Other Funds	\$ 604	\$ 607

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2012 and 2011, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of Fund Balance with Treasury shown below as Unobligated Balance – Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance – Not Available. Also, in two instances, the portion of Fund Balance with Treasury presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized (see Note 7). In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the Fund Balance with Treasury held in Special Receipt, Clearing, and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the Fund Balance with Treasury (dollars in millions):

	Obligated Balance, Net	Unobligated Balance		Total
		Available	Unavailable	
2012				
FBF	\$ (157)	\$ 4,653	\$ 3,317	\$ 7,813
ASF	(804)	1,850	49	1,095
Other Funds	198	79	327	604
Total	\$ (763)	\$ 6,582	\$ 3,693	\$ 9,512

2011				
FBF	\$ 1,997	\$ 4,652	\$ 2,802	\$ 9,451
ASF	(558)	1,758	24	1,224
Other Funds	193	105	309	607
Total	\$ 1,632	\$ 6,515	\$ 3,135	\$ 11,282

D. Availability of Funds

In GSA's earmarked Special Receipt Funds, included in balances of Fund Balance with Treasury, are certain amounts that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program and surplus real property disposals, are subject to transfer upon GSA's determination of the internal working capital needs of these programs. The Fund Balance with Treasury in these funds totaled \$136 million and \$126 million at September 30, 2012 and 2011, respectively, of which \$49 million and \$50 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

In FYs 2012 and 2011, \$1.0 million and \$0.4 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with U.S. Treasury guidelines.

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled \$71 million and \$19 million at September 30, 2012 and 2011, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled \$3,280 million and \$2,239 million at September 30, 2012 and 2011, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is allowed to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. At the end of FY 2012 and

2011, management determined that all earnings will be retained in accordance with this process.

3. NON-ENTITY ASSETS

As of September 30, 2012 and 2011, certain amounts reported on the Consolidating Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled \$47 million and \$56 million, respectively.

4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only six percent due from non-federal customers. Unbilled accounts receivable result from the delivery of goods, or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs.

In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. The most significant of these notes receivable balances is an \$8 million note in the Federal Buildings Fund that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2012 and 2011, accumulated interest on this note totaled \$97 million and \$85 million, respectively.

A summary of Accounts Receivable as of September 30, 2012 and 2011, is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Accounts Receivable - Billed	\$ 241	\$ 199	\$ 135	\$ 136	\$ 17	\$ 26	\$ -	\$ -	\$ 393	\$ 361
Accounts Receivable - Unbilled	392	412	1,323	1,450	8	3	19	25	1,704	1,840
Allowance for Doubtful Accounts	(37)	(32)	(10)	(7)	-	-	-	-	(47)	(39)
Total Accounts Receivable, Net	\$ 596	\$ 579	\$ 1,448	\$ 1,579	\$ 25	\$ 29	\$ 19	\$ 25	\$ 2,050	\$ 2,162

5. OTHER ASSETS

As of September 30, 2012 and 2011, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011
Investments in Capital Leases	\$ 57	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ 57	\$ 61
Surplus Property Held for Sale	6	4	57	49	1	-	64	53
Unamortized Deferred Charges and Prepayments	55	34	-	-	-	-	55	34
Artworks	6	5	-	-	-	-	6	5
Miscellaneous	5	5	-	-	-	-	5	5
Total Other Assets	\$ 129	\$ 109	\$ 57	\$ 49	\$ 1	\$ -	\$ 187	\$ 158

6. PROPERTY AND EQUIPMENT, NET

A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2012 and 2011, are summarized below (dollars in millions):

	2012			2011		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 37,142	\$ 19,073	\$ 18,069	\$ 34,046	\$ 17,752	\$ 16,294
Leasehold Improvements	333	221	112	349	230	119
Telecom and ADP Equipment	85	85	-	89	89	-
Motor Vehicles	4,868	1,694	3,174	4,731	1,603	3,128
Other Equipment	625	441	184	535	380	155
Total Property and Equipment	\$ 43,053	\$ 21,514	\$ 21,539	\$ 39,750	\$ 20,054	\$ 19,696

B. Cleanup Costs

In the FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with FASAB SFFAS No. 5 and 6, *Accounting for Liabilities of the Federal Government*

and *Accounting for Property, Plant, and Equipment*, respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, issued by the FASAB Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements.

Accordingly, GSA recognized liabilities totaling \$119 million and \$112 million for Environmental and Disposals costs in FYs 2012 and 2011, respectively,

for properties currently in GSA's property inventory. In almost all cases, liabilities are associated with cleanup efforts required by CERCLA. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional \$15 million and \$14 million as of September 30, 2012, and 2011, respectively, of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or federal property inventory. GSA's liability for such cases is further discussed in Note 11.

C. Heritage Assets

The average age of GSA buildings is over 48 years old, and therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the federal government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, *Heritage Assets and Stewardship Land*, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidating Balance Sheets.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 305 buildings on the National Register, up from 302 at the end of FY 2011, of which 73 are designated as National Historical Landmarks. An additional 159 buildings are potentially eligible for listing on the National Register, but have not gone through the formal determination process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for federal use and rehabilitation in accordance with standards established by the DOI.

7. INTRAGOVERNMENTAL DEBT

A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase borrowing authority. Under these agreements, the FBF borrows monies (as advance payments) through the Federal Financing Bank (FFB) or executes lease-to-own contracts to finance the lease purchases. Mortgage loans and construction advances held by the FFB are due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 2.005 percent to 8.561 percent. The program authorizes total expenditures of \$1,945 million for 11 projects. In FYs 2012 and 2011, the FFB made advance payments on behalf of GSA totaling \$2 million and \$1 million, respectively. As of September 30, 2012 and 2011, \$27 million and \$29 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments.

B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB is now recorded. Mortgage loans for the RRB are due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent.

No additional amounts are anticipated to be borrowed under this authority.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2012, and 2011, were as follows (dollars in millions):

	2012	2011
Lease Purchase Debt	\$ 1,235	\$ 1,291
Pennsylvania Avenue Debt	584	607
Total GSA Debt	<u>\$ 1,819</u>	<u>\$ 1,898</u>

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities at the end of FY 2012 are as follows (dollars in millions):

AGGREGATE DEBT MATURITIES				
FISCAL YEAR	LEASE PURCHASE DEBT	PA AVE DEBT	TOTAL	
2013	\$ 62	\$ 25	\$ 87	
2014	66	26	92	
2015	71	28	99	
2016	75	30	105	
2017	81	32	113	
2018 and thereafter	880	443	1,323	
Total future aggregate debt maturities	<u>\$ 1,235</u>	<u>\$ 584</u>	<u>\$ 1,819</u>	

8. WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of FY 2012 was calculated by DOL using a discount rate of 2.293 percent for FY 2012, and 3.138 percent

for FY 2013 and thereafter. At the end of FY 2011, the discount rate used was 3.535 percent for FY 2011, and 4.025 percent for FY 2012 and thereafter. At September 30, 2012 and 2011, GSA's actuarial liability totaled \$133 million and \$132 million, respectively.

9. LEASING ARRANGEMENTS

As of September 30, 2012, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. GSA also uses a small volume of operating leases of vehicles in the ASF to fill demand when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES	
FISCAL YEAR	TOTAL
2013	\$ 4,916
2014	4,271
2015	3,698
2016	3,143
2017	2,750
2018 and thereafter	10,720
Total future minimum lease payments	<u>\$ 29,498</u>

CAPITAL LEASES	
FISCAL YEAR	FBF
2013	\$ 46
2014	45
2015	40
2016	33
2017	33
2018 and thereafter	116
Total future minimum lease payments	313
Less: Amounts representing-	
Interest	73
Executory Costs	2
Total obligations under capital leases	<u>\$ 238</u>

Substantially all leased space maintained by the FBF is sublet to other federal agencies at rent charges to recover GSA's cost of that space. The majority of agreements covering the sublease arrangements allow customer agencies to terminate the sublease at any time. In those cases GSA believes the subleases will continue without interruption. In some instances, agreements with customers may include short term or full lease term non-cancellation clauses. The following is a schedule of future minimum rentals due GSA under such non-cancellable agreements (dollars in millions):

OPERATING LEASE RENTALS	
FISCAL YEAR	TOTAL
2013	\$ 801
2014	593
2015	532
2016	481
2017	447
2018 and thereafter	2,421
Total future minimum lease rentals	<u>\$ 5,275</u>

For three of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. For these arrangements, classified as direct financing leases, GSA carried a balance in investments in capital leases of \$57 million, and a residual balance in deferred revenues of \$20 million as of September 30, 2012.

The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

DIRECT FINANCING LEASE RENTALS	
FISCAL YEAR	TOTAL
2013	\$ 4
2014	4
2015	4
2016	4
2017	4
2018 and thereafter	37
Total future minimum lease rentals	<u>\$ 57</u>

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated \$6.8 billion and \$6.4 billion for the FYs ended September 30, 2012 and 2011, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$5.7 billion and \$5.4 billion in FYs 2012 and 2011, respectively. The Consolidating Balance Sheets as of September 30, 2012 and 2011, include capital lease assets of \$524 million and \$363 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled \$330 million and \$223 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

10. OTHER LIABILITIES

As of September 30, 2012 and 2011, the components of amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011
Other Intragovernmental Liabilities:								
Workers' Compensation Due to DOL	\$ 20	\$ 20	\$ 7	\$ 7	\$ 4	\$ 4	\$ 31	\$ 31
Federal Benefit Withholdings	3	3	2	2	1	1	6	6
Deposits in Clearing Funds	-	-	-	-	15	13	15	13
Earnings Payable to Treasury	-	-	-	-	54	15	54	15
Deferred Revenues/Advances - Federal	95	23	5	10	11	-	111	33
Total Other Intragovernmental Liabilities	\$ 118	\$ 46	\$ 14	\$ 19	\$ 85	\$ 33	\$ 217	\$ 98

Other Liabilities:								
Salaries and Benefits Payable	\$ 12	\$ 13	\$ 7	\$ 8	\$ 6	\$ 4	\$ 25	\$ 25
Deferred Revenues/Advances from the Public	7	7	-	-	-	37	7	44
Contingencies	6	16	1	-	1	-	8	16
Pensions for Former Presidents	-	-	-	-	11	10	11	10
Total Other Liabilities	\$ 25	\$ 36	\$ 8	\$ 8	\$ 18	\$ 51	\$ 51	\$ 95

11. COMMITMENTS AND CONTINGENCIES

A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 9, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2012 and 2011, were as follows (dollars in millions):

	2012	2011
FBF	\$ 3,443	\$ 5,596
ASF	4,062	4,272
Other Funds	211	164
Total Undelivered Orders	\$ 7,716	\$ 10,032

In FY 2007, GSA awarded eight contracts for world-wide telecommunications and network services (Network Universal and Network Enterprise) to replace the previous FTS2001 contracts, and to provide voice, wireless, IP, satellite, and related telecommunications services for the federal community. These contracts are primarily funded through the ASF Integrated Technology Services portfolio. The contracts provide minimum revenue guarantees totaling \$575 million, of which \$12 million and \$90 million remained outstanding as of September 30, 2012 and 2011, respectively. Given the value of services GSA estimates it will procure over the 10 year life of these contracts, management considers the risk of not meeting the minimum revenue guarantees to be remote.

B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury's Judgment Fund, as discussed below.

- As of September 30, 2012 and 2011, GSA recorded liabilities in total of \$7 million and \$15 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses.

In addition, GSA has contingencies ranging from \$17 million to \$63 million as of September 30, 2012, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies. At September 30, 2011, reasonably possible claims ranged from \$25 million to \$67 million.

In many cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

- In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice (DOJ), and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*,

costs incurred by the federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported \$103 million and \$101 million in FYs 2012 and 2011, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, approximately \$102 million and \$100 million result from several environmental cases outstanding at the end of FYs 2012 and 2011, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, ranged from \$206 million to \$290 million at September 30, 2012 and ranged from \$208 million to \$306 million at September 30, 2011.

The recognition of claims to be funded through the Judgment Fund on GSA Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the federal government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were \$29 million and \$51 million in FYs 2012 and 2011, respectively. Of these amounts, \$19 million and \$45 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds

liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

12. UNFUNDED LIABILITIES

As of September 30, 2012 and 2011, budgetary resources were not yet available to fund certain liabilities reported on the Consolidating Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

	2012	2011
Judgment Fund Liability	\$ 424	\$ 405
Intragovernmental Debt	-	2
Other Intragovernmental Liabilities	100	59
Capital Lease and Installment Purchase Liability	353	368
Workers' Compensation Actuarial Liabilities	133	132
Environmental and Disposal	221	212
Annual Leave Liability	110	112
Other Liabilities	19	26
Total Liabilities Not Covered By Budgetary Resources	\$ 1,360	\$ 1,316

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to do so. Such balances include: 1) amounts reported in the Consolidating Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 10; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 10.

13. RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2013 President's Budget, which contains FY 2011 financial statement results. The FY 2014 President's Budget, containing FY 2012 actual results is expected to be released in February 2013 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Small rounding differences can exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2011 CSBR and FY 2013 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

	FBF		ASF		OTHER FUNDS		TOTAL GSA		
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	\$ 18,928	\$ 18,928	\$13,145	\$ 13,145	\$ 1,015	\$ 988	\$ 33,088	\$ 33,061	\$ 27
Obligations Incurred	11,443	11,444	11,363	11,363	782	780	23,588	23,587	1
Unobligated Balances	7,485	7,484	1,782	1,782	233	208	9,500	9,474	26
Balance of Obligations	1,995	1,996	(558)	(558)	193	191	1,630	1,629	1
Outlays	1,708	1,708	(69)	(69)	251	292	1,890	1,931	(41)

	BUDGETARY RESOURCES	OBLIGATIONS INCURRED	UNOBLIGATED BALANCE	OBLIGATED BALANCE	NET OUTLAYS
Combined Statement of Budgetary Resources	\$ 33,088	\$ 23,588	\$ 9,500	\$ 1,630	\$ 1,890
Expired Funds, Not Reflected in the Budget	(26)	(2)	(24)	-	-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-	42
Rounding	(1)	1	(2)	(1)	(1)
Budget of the U.S. Government	\$ 33,061	\$ 23,587	\$ 9,474	\$ 1,629	\$ 1,931

14. COMBINING STATEMENTS OF BUDGETARY RESOURCES

The Consolidated Statement of Budgetary Resources (CSBR) presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. In FY 2012, changes to the presentation were made in accordance with guidance provided in OMB Circular A-136. Comparative FY 2011 balances were reclassified to conform to the presentation in the current year, displaying budgetary resources available for spending, the status of budgetary resources, the change in obligated balances and the net budget authority and outlays of GSA. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior

fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA funds on a fund-by-fund basis, unique budget control levels (such as programs, budget activities or projects) are established. These levels are based on legislative limitations, OMB apportionment limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the upward and downward adjustments would be reported on the corresponding lines of the CSBR.

15. CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidating Balance Sheets include immaterial balances of earmarked funds as defined in FASAB SFFAS No. 27, which totaled \$155 million and \$135 million as of September 30, 2012 and 2011, respectively. As further discussed in Notes 1 and 2, earmarked balances are those reported in GSA Special Funds, within the Other Funds display on the Consolidating Balance Sheets.

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations.

Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2012 and 2011, balances reported as unexpended appropriations were as follows (dollars in millions):

	FBF	OTHER FUNDS	TOTAL GSA
2012			
Unobligated Balances:			
Available	\$ 41	\$ 31	\$ 72
Unavailable	33	14	47
Undelivered Orders	1,131	52	1,183
Unfilled Customer Orders	-	(2)	(2)
Total Unexpended Appropriations	\$1,205	\$ 95	\$1,300

2011			
Unobligated Balances:			
Available	\$ 51	\$ 24	\$ 75
Unavailable	-	20	20
Undelivered Orders	2,688	53	2,741
Unfilled Customer Orders	-	(2)	(2)
Total Unexpended Appropriations	\$2,739	\$ 95	\$2,834

16. EMPLOYEE BENEFIT PLANS

A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of OPM. Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While contributions submitted by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for the amount of agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

B. Civil Service Retirement System

At the end of FY 2012, 14.2 percent (down from 17.2 percent in FY 2011) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees totaled \$14 million and \$16 million in FYs 2012 and 2011, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2012, 85.5 percent (up from 82.3 percent in FY 2011) of GSA employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the federal government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to \$17,000 and \$16,500 in their TSP account in calendar years 2012 and 2011, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2012 and 2011, total contributions made on behalf of an employee could not exceed \$50,000 and

\$49,000, respectively. During FYs 2012 and 2011, GSA (employer) contributions to FERS (26.3 percent of base pay for law enforcement employees and 11.9 percent for all others) totaled \$114 million and \$108 million, respectively. Additional GSA contributions to the TSP totaled \$42 million and \$41 million in FYs 2012 and 2011, respectively.

D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$110,100 and \$106,800 in calendar years 2012 and 2011, respectively) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2012. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2012. In FYs 2012 and 2011, 0.3 percent and 0.5 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs in FYs 2012 and 2011, amounted to \$75 million and \$74 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2012 and 2011, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2012			
FBF	\$ 13	\$ 19	\$ 32
ASF	17	33	50
Other Funds	9	11	20
Total Unfunded Benefit Costs	\$ 39	\$ 63	\$ 102
2011			
FBF	\$ 22	\$ 38	\$ 60
ASF	17	21	38
Other Funds	11	12	23
Total Unfunded Benefit Costs	\$ 50	\$ 71	\$ 121

17. RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidating Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidating Statements of Net Cost for the fiscal years ending on September 30, 2012 and 2011 (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
RESOURCES USED TO FINANCE ACTIVITIES										
Obligations Incurred	\$ 10,985	\$ 11,443	\$ 10,912	\$ 11,363	\$ 796	\$ 782	\$ -	\$ -	\$ 22,693	\$ 23,588
Less: Spending Authority From Offsetting Collections and Adjustments	(11,576)	(12,056)	(11,030)	(11,395)	(531)	(522)	-	-	(23,137)	(23,973)
Financing Imputed for Cost Subsidies	56	85	44	58	23	30	15	47	108	126
Other	3	(61)	7	(12)	205	48	-	-	215	(25)
Total Resources Used to Finance Activities	(532)	(589)	(67)	14	493	338	15	47	(121)	(284)
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	2,153	1,636	210	(515)	(47)	21	-	-	2,316	1,142
Increase/(Decrease) in Unfilled Customer Orders	(285)	738	(204)	407	36	(2)	-	-	(453)	1,143
Costs Capitalized on the Balance Sheet	(3,062)	(3,328)	(759)	(838)	(38)	(14)	-	-	(3,859)	(4,180)
Financing Sources Funding Prior Year Costs	(185)	(33)	2	5	(11)	(5)	-	-	(194)	(33)
Other	78	27	(2)	(2)	(194)	(45)	-	-	(118)	(20)
Total Resources Used That Are Not Part of the Net Cost of Operations	(1,301)	(960)	(753)	(943)	(254)	(45)	-	-	(2,308)	(1,948)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS										
Depreciation and Amortization	1,367	1,272	495	494	19	19	-	-	1,881	1,785
Net Book Value of Property Sold	3	71	250	277	-	2	-	-	253	350
Other	91	9	-	1	-	-	-	-	91	10
Total Costs Financed by Resources Received in Prior Periods	1,461	1,352	745	772	19	21	-	-	2,225	2,145
COSTS REQUIRING RESOURCES IN FUTURE PERIODS										
Unfunded Capitalized Costs	59	57	-	-	-	-	-	-	59	57
Unfunded Current Expenses	3	(1)	1	-	5	(2)	-	-	9	(3)
Total Costs Requiring Resources in Future Periods	62	56	1	-	5	(2)	-	-	68	54
Net (Revenues From) Cost of Operations	\$ (310)	\$ (141)	\$ (74)	\$ (157)	\$ 263	\$ 312	\$ 15	\$ 47	\$ (136)	\$ (33)

18. AMERICAN RECOVERY AND REINVESTMENT ACT

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provided significant additional resources to GSA in FY 2009. Primarily, these resources came from direct appropriations provided in the Recovery Act, as well as an increased volume of reimbursable agreements, as GSA programs provide procurement assistance to other organizations and agencies to help them expedite implementation of their Recovery Act responsibilities. While the execution of most activities follows standard federal accounting treatment, some of the activities required in the Recovery Act are unique. The GSA Recovery Act program to procure and distribute energy efficient motor vehicles to federal agencies involved procurement of new vehicles in exchange for an agency's old or less efficient vehicles. GSA acquisitions of new vehicles are initially classified as Other Assets on the Consolidating Balance Sheets, and then are recognized as being transferred to the designated agencies when the exchange of vehicles occurs. The transfers-out are reflected on the Consolidating Statements of Net Position. When GSA sold the old vehicles, proceeds were retained

as a reimbursement to the applicable fund, providing resources that were used for additional vehicles. During FY 2011 GSA completed all activities related to the vehicle procurement program. The following table displays the activity of this program over its 3-year life (dollars in millions):

ARRA VEHICLES

	2009	2010	2011	TOTAL
Purchases of New Vehicles	\$ 268	\$ 75	\$ -	\$ 343
Transfers to Participating Agencies	160	178	5	343

19. SUBSEQUENT EVENTS

Hurricane Sandy hit the east coast of the United States at the end of October 2012, causing significant flooding and damage to the northeast regions. GSA is still in the process of evaluating the impact of this storm and is unable to quantify damages at this time. While an estimate has not been determined, costs associated with cleanup and potential repairs for property damages are not expected to have a material impact on the financial statements of GSA funds.

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIRS

In FY 2012, GSA implemented FASAB SFFAS No. 40, *Definitional Changes Related to Deferred Maintenance and Repairs*, which amended the definition of deferred maintenance to the following:

“Deferred maintenance and repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be and which, therefore, is put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it.”

In accordance with FASAB SFFAS No. 40, GSA utilizes a Physical Condition Survey (PCS) tool to determine the amount of all repairs and alterations needed to correct major component or systems deficiencies and restore its owned buildings (and certain leased buildings where GSA has responsibility for repairs and alterations) to an acceptable condition, as well as maintenance, repairs and alterations that will be required in the next several years. This will include all such tasks whether they could be expensed or potentially associated with a capital project. The surveys are conducted biennially to inspect and electronically document such conditions, with approximately half of the building inventory being surveyed each year. The PCS is a 37 question survey that provides a regular and consistent assessment of the physical condition of each building's basic structure and systems and an overall assessment of GSA's building inventory. The process of identifying building deficiencies and developing a multi-year plan of repairs and alterations projects begins with the PCS.

Data collected in PCS is gathered to support GSA's overall building assessment, workload planning, and budgeting needs, and is not designed to specifically capture data that would be defined as DM&R.

However, subsets of the workload planning directly results from conditions classified as DM&R. GSA has determined from analysis of data in PCS, that when applying certain data criteria, results can be used to provide a reasonable estimate to meet the FASAB DM&R reporting objectives. At the end of FY 2012, based on the analysis of the PCS results, GSA estimates the total cost of DM&R to be approximately \$1.5 billion, for activities categorized as work needing to be performed immediately or scheduled to be performed in past years, to restore or maintain acceptable condition of the building inventory.

Prior to issuance of FASAB SFFAS No. 40, deferred maintenance was defined to only include maintenance expensed in the normal course of business. In accordance with this definition, prior to FY 2012, GSA determined that there was no material backlog of such deferred maintenance costs to report.

GSA measures the condition of its inventory of buildings by using an industry accepted metric called the Facility Condition Index (FCI). The FCI is the ratio between total Repair and Alteration Needs and the Functional Replacement Value of an asset (i.e. repair needs divided by the asset's replacement value). As of the end of FY 2012, approximately 77 percent of GSA's inventory, based on square footage, is considered in “Good Condition,” with an FCI of 10 percent or less.

SUPPLEMENTAL SCHEDULE OF BUDGETARY RESOURCES

In its principal financial statements, balances reported for the FBF includes activities funded by appropriations provided by the ARRA. To provide distinct budgetary and financial visibility of ARRA activities, a separate Treasury Account Fund Symbol (TAFS) was created for the FBF ARRA activities to allow tracking and distinction from the main TAFS used for the FBF. As the FBF ARRA activities are a very significant component of the total FBF budgetary results, below is a schedule showing the activities of the individual TAFS for the years ended September 30, 2012 and 2011 (dollars in millions):

	FBF - MAIN ACCOUNT		FBF - ARRA		FBF TOTAL	
	2012	2011	2012	2011	2012	2011
BUDGETARY RESOURCES						
Unobligated Balance from Prior Year Budget Authority:						
Unobligated Balance Brought Forward, October 1	\$ 5,243	\$ 5,584	\$ 3	\$ 352	\$ 5,246	\$ 5,936
Recoveries of Prior Year Unpaid Obligations	236	212	70	80	306	292
Other Changes in Unobligated Balance	(80)	(71)	-	-	(80)	(71)
Unobligated Balance from Prior Year Budget Authority, Net	5,399	5,725	73	432	5,472	6,157
Appropriations	-	(25)	-	-	-	(25)
Spending Authority from Offsetting Collections:						
Collections	11,535	10,956	1	-	11,536	10,956
Change in Uncollected Customer Payments	(266)	808	-	-	(266)	808
Previously Unavailable	2,239	1,032	-	-	2,239	1,032
Resources Temporarily Not Available	(3,280)	(2,239)	-	-	(3,280)	(2,239)
Transfers	1	-	-	-	1	-
Total Spending Authority from Offsetting Collections	10,229	10,557	1	-	10,230	10,557
Total Budgetary Resources	15,628	16,257	74	432	15,702	16,689

STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct Category B	10	8	38	429	48	437
Reimbursable Category B	10,937	11,006	-	-	10,937	11,006
Total Obligations Incurred	10,947	11,014	38	429	10,985	11,443
Unobligated Balance:						
Apportioned	4,676	4,680	3	3	4,679	4,683
Unapportioned	5	563	33	-	38	563
Total Unobligated Balance, End of Period	4,681	5,243	36	3	4,717	5,246
Total Status of Budgetary Resources	15,628	16,257	74	432	15,702	16,689

CHANGE IN OBLIGATED BALANCE						
Obligated Balance, Start of Year:						
Unpaid Obligations, Brought Forward, October 1, Gross	4,308	4,297	2,760	4,284	7,068	8,581
Uncollected Customer Payments, Brought Forward, October 1	(5,073)	(4,265)	-	-	(5,073)	(4,265)
Total Obligated Balance, Start of Year, Net	(765)	32	2,760	4,284	1,995	4,316
Obligations Incurred	10,947	11,014	38	429	10,985	11,443
Outlays, Gross	(11,585)	(10,791)	(1,512)	(1,873)	(13,097)	(12,664)
Change in Uncollected Customer Payments from Federal Sources	266	(808)	-	-	266	(808)
Recoveries of Prior Year Unpaid Obligations	(236)	(212)	(70)	(80)	(306)	(292)
Obligated Balance, End of Period:						
Unpaid Obligations, End of Period, Gross	3,434	4,308	1,216	2,760	4,650	7,068
Uncollected Customer Payments from Federal Sources, End of Period	(4,807)	(5,073)	-	-	(4,807)	(5,073)
Total Obligated Balance, End of Period, Net	(1,373)	(765)	1,216	2,760	(157)	1,995

BUDGET AUTHORITY AND OUTLAYS, NET						
Budget Authority, Gross	10,230	10,532	-	-	10,230	10,532
Actual Offsetting Collections	(11,535)	(10,956)	(1)	-	(11,536)	(10,956)
Change in Uncollected Customer Payments from Federal Sources	266	(808)	-	-	266	(808)
Budget Authority, Net	(1,039)	(1,232)	(1)	-	(1,040)	(1,232)
Gross Outlays	11,585	10,791	1,512	1,873	13,097	12,664
Less: Offsetting Collections	(11,535)	(10,956)	(1)	-	(11,536)	(10,956)
Net Outlays from Operating Activity	50	(165)	1,511	1,873	1,561	1,708
Total Net Outlays	\$ 50	\$ (165)	\$ 1,511	\$ 1,873	\$ 1,561	\$ 1,708



U.S. GENERAL SERVICES ADMINISTRATION
Office of the Inspector General

NOV 14 2012

MEMORANDUM FOR: DANIEL M. TANGHERLINI
ACTING ADMINISTRATOR (A)

GARY GRIPPO
ACTING CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER *BDM*
INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal
Year 2012 Financial Statements

The Office of Inspector General (OIG) administered a contract with KPMG LLP (KPMG) to audit the financial statements of the General Services Administration (GSA) for the fiscal year ending September 30, 2012. The purpose of this audit was to determine the fair presentation of GSA's consolidated financial statements and the balance sheets for the Federal Buildings Fund and the Acquisition Services Fund. The audit also evaluated internal controls over financial reporting and tested GSA's compliance with certain laws, regulations, and contracts. Attached is a copy of KPMG's report.

KPMG's contract required that the audit be completed in accordance with the following criteria: U.S. Generally Accepted Government Auditing Standards; and the Office of Management and Budget Bulletin 07-04, as amended, *Audit Requirements for Federal Financial Statements*. The OIG does not express opinions on GSA's financial statements and related internal controls. In addition, we do not opine as to whether GSA's financial management systems substantially comply with the Federal Financial Management Improvement Act of 1996 (FFMIA), nor do we reach any conclusions on compliance with laws, regulations, and contracts. As such, KPMG is responsible for the attached auditor's report and the conclusions expressed therein.

In its audit, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;
- There were no material weaknesses in internal controls over financial reporting; and
- No instances in which the entity's financial management systems did not substantially comply with the requirements of FFMIA.

However, KPMG identified the following significant matters:

- Weaknesses in the effectiveness of controls over GSA's budgetary accounts and transactions;

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- Weaknesses relating to GSA's controls over the accounting and reporting of property and equipment;
- Weaknesses in the effectiveness of controls over GSA's accounting and reporting of environmental liabilities;
- Weaknesses relating to GSA's controls over the accounting and reporting of leases and occupancy agreements;
- Weaknesses in GSA's controls over financial management and reporting;
- Weaknesses in general controls over financial management systems; and
- Weaknesses in GSA's controls at the entity-level.

The Office of Inspector General appreciates the courtesies and cooperation extended to KPMG and to our audit staff by GSA during the audit. If you have any questions, please contact Theodore R. Stehney, Assistant Inspector General for Auditing at (202) 501-0374.

Attachments



KPMG LLP
 Suite 12000
 1801 K Street, NW
 Washington, DC 20006

Independent Auditors' Report

Inspector General,
 United States General Services Administration:

We have audited the consolidated totals in the accompanying consolidating balance sheets of the United States General Services Administration (GSA) as of September 30, 2012 and 2011, and the related consolidated totals on the accompanying consolidating statements of net cost, and changes in net position, and the combined totals in the combining statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. We have also audited the individual balance sheets of the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF) (hereinafter referred to as the "Funds") as of September 30, 2012 and 2011 and the related individual statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as the Funds' "individual financial statements") for the years then ended.

The objective of our audit was to express opinions on the fair presentation of the GSA's consolidated financial statements and the Funds' individual financial statements. In connection with our fiscal year 2012 audit, we also considered GSA's internal control over financial reporting and tested GSA's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the GSA's consolidated financial statements and the Funds' individual financial statements.

Summary

As stated in our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements, we concluded that the GSA's consolidated financial statements and the Funds' individual financial statements as of and for the years ended September 30, 2012 and 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our Opinions on the Financial Statements, GSA changed its presentation for reporting the statement of budgetary resources in fiscal year 2012.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as defined in the Internal Control Over Financial Reporting section of this report, as follows:

- I. Budgetary accounts and transactions
- II. Accounting and reporting of property and equipment
- III. Accounting and reporting of environmental liabilities
- IV. Accounting and reporting of leases and occupancy agreements
- V. Financial management and reporting
- VI. General controls over financial management systems
- VII. Entity-Level Controls

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We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed instances of noncompliance with the Anti-Deficiency Act and other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The Office of Inspector General identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters have been referred to GSA management and are currently under review by GSA's Office of General Counsel. A final determination has not yet been made and therefore the outcome of these matters is not presently known.

The following sections discuss our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements; our consideration of GSA's internal control over financial reporting; our tests of GSA's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

Opinions on the Financial Statements

We have audited the consolidated totals in the accompanying consolidating balance sheets of the United States General Services Administration as of September 30, 2012 and 2011, and the related consolidated totals on the accompanying consolidating statements of net cost and changes in net position, and the combined totals in the combining statements of budgetary resources for the years then ended. We have also audited the individual balance sheets of the Funds as of September 30, 2012 and 2011 and the related individual statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GSA and the financial position of each of the Funds as of September 30, 2012 and 2011, and the consolidated and individual Funds' net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 14 to the GSA's consolidated financial statements and the Funds' individual financial statements, the GSA changed its presentation for reporting the combined totals in the combining statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the GSA's combined statement of budgetary resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the GSA's consolidated financial statements and the Funds' individual financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the GSA's consolidated financial statements and the Funds' individual financial statements, and other knowledge we obtained during our audit of the GSA's consolidated financial statements and the Funds' individual financial statements. We do not express an opinion or provide any



assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the GSA's consolidated financial statements and the Funds' individual financial statements as a whole. The September 30, 2012 consolidating information in the Required Supplementary Information section of the of GSA's *2012 Agency Financial Report* is presented for purposes of additional analysis and is not a required part of the GSA's consolidated financial statements and the Funds' individual financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the GSA's consolidated financial statements and the Funds' individual financial statements. The September 30, 2012 consolidating information has been subjected to the auditing procedures applied in the audit of the GSA's consolidated financial statements and the FBF's individual financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the GSA's consolidated financial statements and the FBF's individual financial statements or to the GSA's consolidated financial statements and the FBF's individual financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the September 30, 2012 consolidating information in the Required Supplementary Information section of the of GSA's *2012 Agency Financial Report* is fairly stated in all material respects in relation to the GSA's consolidated financial statements and the Funds' individual financial statements as a whole. The information in the Other Accompanying Information section of GSA's *2012 Agency Financial Report* is presented for the purposes of additional analysis and is not a required part of the GSA's consolidated financial statements and the Funds' individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the GSA's consolidated financial statements and the Funds' individual financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in Exhibit I that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Exhibit III presents the status of prior year significant deficiencies.

We noted certain additional matters that we have reported to management of the GSA in a separate letter dated November 8, 2012.



Compliance and Other Matters

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed instances of noncompliance and other matters, described in Exhibit II, that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Responsibilities

Management's Responsibilities. Management is responsible for the GSA's consolidated financial statements and the Funds' individual financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, and contracts applicable to GSA.

Auditors' Responsibilities. Our responsibility is to express opinions on the fiscal year 2012 and 2011 GSA's consolidated financial statements and the Funds' individual financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the GSA's consolidated financial statements and the Funds' individual financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the GSA's consolidated financial statements and the Funds' individual statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall GSA's consolidated financial statement and individual Funds' financial statement presentation.

We believe that our audit provides a reasonable basis for our opinions.

In planning and performing our fiscal year 2012 audit, we considered the GSA's internal control over financial reporting by obtaining an understanding of the GSA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GSA's internal control over financial reporting. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.



As part of obtaining reasonable assurance about whether GSA's fiscal year 2012 consolidated financial statements and the Funds' individual financial statements are free of material misstatement, we performed tests of GSA's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the GSA's consolidated financial statement amounts and the Funds' individual financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to GSA. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

GSA's written response to the findings identified in our audit and presented in Exhibits I and II was not subjected to the auditing procedures applied in the audit of GSA's consolidated financial statement amounts and the Funds' individual financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of GSA's management, GSA's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 8, 2012

Independent Auditors' Report

Exhibit I – FY 2012 Significant Deficiencies

I. Budgetary Accounts and Transactions

Budgetary accounts are a category of the general ledger accounts where transactions related to receipts, obligations, and disbursements of budgetary authority – the authority provided by law to incur financial obligations that will result in outlays – are recorded.

OMB Circular No. A-123, *Management's Responsibility for Internal Control, Revised*, sets forth requirements to develop control processes necessary to ensure that reliable and timely information is obtained, maintained, reported, and used for decision making. Additionally, OMB Circular No. A-127, *Financial Management Systems, Revised*, provides a framework for Federal agencies to develop financial management systems that should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. In addition, GSA policies require each of GSA's Services – Public Buildings Service (PBS) and Federal Acquisition Service (FAS) – to address the need to strengthen internal controls over budgetary reporting and to mitigate known weaknesses in the budgetary transaction level controls.

GSA needs to continue improving the effectiveness of controls over its accounting and business processes to ensure that budgetary transactions are properly recorded, processed, and summarized. Specifically, we continued to note the following internal control deficiencies in GSA's financial management systems and financial reporting processes related to the recording of undelivered orders and recoveries of prior years' obligations. In addition, we identified control deficiencies over the processing of unfilled customer orders, apportionments, and funds controls. Many of these conditions were reported in the fiscal year 2011 *Internal Control over Financial Reporting* section of our Independent Auditors' Report. Further, GSA management's assessment of internal controls reviews, performed as part of their OMB Circular No. A-123, Appendix A, indicated similar issues as noted below.

a. Undelivered Orders

Undelivered orders represent GSA's obligations that require the agency to make payments to the public or from one Government account to another. Under requirements of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, obligations incurred must conform to applicable provisions of law, and agencies must be able to support the amounts reported by appropriate documentary evidence as defined by 31 U.S.C. 1501.

Of the 105 PBS obligations selected for test work, we noted 6 instances where the contract was signed after the period of performance start or ending date; 2 instances where the obligating documents did not provide a period of performance; 3 instances where the obligation was recorded without the proper obligation documents; 4 instances where the obligation was recorded before the obligating documents were signed; and 19 instances where signed contracts were not entered into the financial management system within five business days of being signed. GSA performed additional analysis and determined that the undelivered orders balance was not significantly misstated.

b. Unfilled Customer Orders

Unfilled customer orders represent the amount of goods and services to be furnished by GSA to other federal agencies. Unfilled customer orders provide budgetary resources to enter into new obligations and to liquidate obligations. GSA needs to improve the effectiveness of its controls over unfilled customer orders. During our test work of 72 unfilled customer orders for PBS, we noted 4 instances where the goods and services related to these orders had been completed and the remaining unfilled customer orders were not cancelled in a timely manner. In addition, we noted 12 instances where PBS did not record the signed unfilled customer order in the financial management system in a timely manner.

Independent Auditors' Report

Exhibit 1 – FY 2012 Significant Deficiencies

Further, PBS needs to improve the effectiveness of its controls over the tracking of obligations (and related expenses) associated with corresponding unfilled customer orders. As a result, GSA initially obligated an amount in excess of the corresponding unfilled customer order by approximately \$9.1 million. This control weakness exposes GSA to an increased risk of possible violations of laws and regulations. GSA performed additional analysis and determined that the unfilled customer orders balance was not significantly misstated.

c. Apportionments and Funds Control

As outlined in OMB Circular A-11, the purpose of an agency's fund control system is to restrict both obligations and expenditures (also known as outlays or disbursements) from each appropriation or fund account to the lower of the amount apportioned by OMB or the amount available for obligation or expenditure in the appropriation or fund account. GSA needs to improve the effectiveness of its funds controls as required by OMB Circular A-11. Specifically, we noted the following control deficiencies:

1. During October, 2011, GSA obligated and expended funds for routine business in its Working Capital Fund (WCF) without a signed apportionment. This is a violation of section 1517 of the Anti-Deficiency Act. Refer to our Finding A, *Non-Compliance with the Anti-Deficiency Act*, included in Exhibit II – FY 2012 Compliance and Other Matters. Although the apportionment was created and signed by the Chief Financial Officer as required by OMB Circular A-11, GSA failed to submit the approved apportionment to the OMB by the required date. Since the WCF is not subject to an annual appropriation act, it is not covered under an automatic apportionment and a signed apportionment is necessary before any obligations can be made. GSA reported this violation to OMB as required by Section 1517(b) of Title 31, of the United States Code.
2. GSA entered into a contract including a provision that obligated the Government to unlimited liability, which is a violation of the Anti-Deficiency Act. Refer to our Finding A, *Non-Compliance with the Anti-Deficiency Act*, included in Exhibit II – FY 2012 Compliance and Other Matters. Although the provision is standard in certain types of contracts, it is not a standard government contracting clause and it is the responsibility of the contracting officer to remove the clause before signing the contract. GSA reported this violation to OMB as required by Section 1351 of Title 31, of the United States Code.
3. During our test work over 40 Reimbursable Work Authorizations for PBS, we noted 2 instances where the contracting officer did not obtain the required certification of fund availability from the budget analyst before signing the obligating documents; 1 instance where the required requisition form was not signed by the budget analyst; and 9 instances where the budget analyst approved the certification of funds without using the required requisition forms. Instead, these fund certifications were approved electronically in the contract management system.
4. The financial management system provides funding and spending controls to ensure that budget authorities are not exceeded at each budget level. Such controls include a hard-edit feature, which denies the user the ability to process further obligating documents if the user attempts an entry that will exceed the respective authority available amount. However, we noted that GSA management can manually override these funding and spending automated controls while processing budgetary transactions. There is no formal manual or automated review to ensure that funding and spending automated controls are being turned off for a valid reason and whether they were subsequently turned back on after processing. In addition, there is not sufficient functionality in the system to identify the transactions that were recorded while the controls were turned off.

GSA performed additional analysis to determine that its budgetary account balances were not significantly misstated.

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

d. Recoveries of Prior Years' Obligations

Recovery of prior years' obligations represents cancellations or downward adjustments of obligations incurred in prior fiscal years. As reported in the previous year, changes to certain fields in the financial management system related to prior year obligation information – such as vendor codes – cause a recording of a recovery of prior years' obligations regardless of whether the obligation was actually cancelled or adjusted downward. This condition requires extensive manual reviews and adjustments to detect and correct errors, rather than preventing them. In addition, GSA did not effectively review its recoveries from prior years' obligations during the year. Of the 26 recoveries of prior year obligations tested, we noted 3 instances where the recoveries were invalid or not recorded in a timely manner. GSA performed additional analysis to ensure the recovery of prior years' obligations balance was not significantly misstated.

The lack of integrated financial and acquisition systems and the ineffective monitoring and oversight over the apportionment process, combined with the ineffective communication between the program office and the Budget/Financial Management Office within the regions; and the lack of sufficient monitoring and oversight of the contracting function—as evidenced by contracting and budgetary control activities not being performed in a consistent manner at the regional level, continue to be main contributing factors for the control deficiencies over budgetary accounts and transactions. As a result, GSA management continued to rely on costly compensating processes and unsustainable labor-intensive efforts to prepare reliable financial statements throughout the year and at fiscal year-end. If not corrected, these deficiencies will continue to expose GSA to an increased risk of misstatements in its financial reports and possible additional violations of laws and regulations.

Recommendations

We recommend that GSA management continue to implement the following recommendations to improve controls over the accounting for undelivered orders:

a. Undelivered Orders

1. Continue efforts to implement a contracting system that will interface with the financial management system of record;
2. Until such interfaces are in place, continue monthly reconciliation efforts between the current contracting system and the financial management system and ensure sufficient resources are available to perform the reconciliations in a timely and routine manner;
3. Improve communications with the regional offices to investigate and resolve variances identified in a timely and consistent manner and to ensure that all obligations are recorded in the financial system timely and accurately;
4. Perform procedures to ensure all obligations are captured and accurately recorded in the financial management system;
5. Institute policies and procedures, including management reviews, to ensure that a contract delivery date or period of performance is stated on all obligating documents before obligations are authorized, when appropriate;
6. Ensure contracting officers and regional procurement officers review contracts thoroughly to ensure that contract options are correctly exercised and applicable Notice-to-Proceed documents are issued timely;
7. Continue assessing the root causes of ineffective internal controls at the process level as part of the top-to-bottom review process to help design an effective internal control environment that is suitable to GSA business processes;

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

8. Improve the efficiency of transaction-level, process-driven controls to avoid overreliance on high-level mitigating controls over budgetary accounts and transactions;
9. Improve communication with GSA's procurement operations and the regions to better facilitate response times by regions for award acceptance and receipt of goods and services; and
10. Provide additional training to reinforce existing policies and procedures, which require proper authorization and approvals of contracts prior to recording the obligations in the financial management system, that all obligations be entered into financial management systems timely and prior to the receipt of any goods and/or services by GSA.

b. Unfilled Customer Orders

1. Enforce existing policies and procedures with regional personnel to ensure that all orders are entered in the appropriate feeder subsidiary ledger system accurately and timely;
2. Continue to perform periodic monitoring and reviews of outstanding unfilled customer orders and consider increasing the precision of the reviews performed to ensure that balances reported in the financial statements are valid and accurate;
3. Improve communications with the regions to stress the importance of having valid unfilled customer orders in the financial statements and the need to properly account for unfilled customer orders by closing all orders as they are completed; and
4. Consider implementing automated system controls over unfilled customer orders spending to ensure reimbursable obligations and expenses incurred are not greater than funding authority provided by a valid unfilled customer order.

c. Apportionments and Funds Control

1. Continue to monitor newly implemented and existing controls over apportionment submissions to OMB to ensure all Apportionment and Reapportionment Schedules for each subject appropriation or fund account are prepared, reviewed, approved, and submitted timely;
2. Continue to monitor newly implemented and existing controls over contracting and procurement actions to ensure all contracts are prepared legally and accurately in accordance with Federal procurement laws and GSA policies and procedures; and obligating documents reviewed and approved by appropriate members of management;
3. Document all policies and procedures relating to the budgetary control environment and activities and provide employees with timely training and updated training materials;
4. Enforce existing policies and procedures related to funds availability certification to ensure that the certification is obtained before a contracting officer signs an obligating document;
5. Provide training to the contracting officers to reinforce existing policies and procedures, which require them to obtain the proper certifications of funds availability from the certifying official before signing any obligating document;
6. Consider updating the policy over certification of funds availability to establish consistency for certifying funds across the agency; and communicate and enforce the updated policy to the regions; and

Independent Auditors' Report

Exhibit I – FY 2012 Significant Deficiencies

7. Consider developing an audit logging capability in the financial management system to track the status of funding and spending automated controls to ensure that such control are not overriding without the approval of the appropriate members of management.

d. Recoveries of Prior Years' Obligations

1. GSA needs to train users to prevent user errors, which account for the majority of the errors; and
2. Continue to rely on its periodic reviews of the recovery of prior year obligation balances to ensure that balances reported in the financial statements are valid and accurate.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

II. Accounting and Reporting of Property and Equipment

GSA reported \$27.5 billion in property and equipment, net of accumulated depreciation, as of September 30, 2012. GSA needs to continue to improve controls over general property and equipment to ensure that transactions are promptly recorded, properly classified, and accounted for in accordance with the requirements outlined in Federal financial accounting standards and OMB Circular No. A-123. During our fiscal year 2012, we continued to note the following control weaknesses over general property and equipment, many of which were reported in the fiscal year 2011 *Internal Control over Financial Reporting* section of our Independent Auditors' Report.

a. Buildings

As reported in the previous year, GSA did not consistently record property disposals when they occurred. When a building is sold, conveyed, demolished, or classified as excess property, the regional offices do not always notify the Office of the Chief Financial Officer (OCFO) to properly record the asset disposal and to reduce the building value in the financial management system accordingly. As a result of our analysis over the buildings account, we noted 40 instances where the general property and equipment was not transferred to excess property and as a result, GSA continued to incur on depreciation expenses, and 21 instances where the asset disposals were not recorded or were not recorded timely. In addition, we noted 65 leased properties and 9 leasehold improvements that were incorrectly coded as owned buildings.

Upon our request, management analyzed the buildings subsidiary ledger, resulting in an identification of an overstatement of the buildings balance and related accumulated depreciation of approximately \$51.3 million and \$43.2 million, respectively, as of September 30, 2012. GSA adjusted its buildings balance at year-end as part of its financial reporting closing process.

b. Construction in Process (CIP)

GSA needs to continue improving the effectiveness of controls over the proper classification of projects that are deemed substantially complete. GSA did not consistently record transfers of substantially completed projects from CIP to the buildings balance in a timely manner for 8 of 44 CIP transfers tested. Due to the inconsistent application of PBS's guidance as to the definition of when a project is substantially complete, the size and complexity of GSA's construction projects, and the manually intensive process of determining and documenting substantial completion dates, there is an increased risk that asset transfers may not be recorded to the general ledger in a timely manner, which also could lead to misstatements in depreciation expense.

Although, in fiscal year 2011, GSA revised its accounting policies over the recording and reporting of cleanup costs related to abatement, remediation, and/or disposal of hazardous waste associated with renovation projects, such accounting policies were not fully implemented in fiscal year 2012. Therefore,

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Exhibit I – FY 2012 Significant Deficiencies

GSA continued to capitalize certain environmental cleanup cost estimates that should have been expensed in accordance with applicable Federal accounting standards, as outlined in Statement of Federal Financial Accounting Standard (SFFAS) No.6, *Accounting for Property, Plant, and Equipment, Section 4 – Cleanup Costs*. GSA adjusted its CIP balance at year-end as part of its financial reporting closing process.

c. Fixed Asset Subsidiary Ledger

The fixed asset subsidiary ledger included in the financial management system was developed and implemented to track property transactions more accurately and to accommodate multiple substantial completion dates for more complex multi-asset constructions projects. However, the fixed asset subsidiary ledger was not configured properly to capture gains and losses from asset disposal appropriately, resulting in an overstatement of revenues and expenses. GSA adjusted its revenue and expense balances at year-end as part of its financial reporting closing process.

Recommendations

We continue to recommend that GSA management implement the following recommendations to improve controls over the accounting for general property and equipment:

a. Buildings

1. Perform regular verifications of the building status listed in the Fixed Asset subsidiary ledger;
2. Develop policies and procedures requiring a new building location code to facilitate the verification of building status;
3. Develop policies and procedures to improve communications between the Central Office and the regional portfolio managers regarding asset disposals or conveyance to ensure all parties have an understanding of the documents and notifications needed for the OCFO to record the asset disposals in a timely manner;
4. Develop and deliver training on an ongoing basis to all portfolio managers and realty specialists regarding the reporting of real property disposal or conveyance to ensure that all of the appropriate requirements are fulfilled and consistently recorded in accordance with GSA policies and procedures; and
5. Enforce GSA's existing policy on reporting asset disposal or conveyance.

b. Construction in Process (CIP)

1. Fully implement the new accounting policy on accounting treatment for environmental related cost during fiscal year 2013;
2. Properly track and account for cleanup costs of hazardous waste incurred during renovation projects in accordance with applicable Federal financial accounting standards;
3. Continue current initiatives to strengthen internal controls over proper classification of costs associated with projects and ensure proper data entry and timely transfer of costs between the construction in process and building accounts;
4. Continue reconciliation efforts to review the validity of substantial completion dates entered into the applicable feeder systems and the fixed assets subsidiary system to ensure that substantially completed CIP projects are transferred to the appropriate building account in a timely manner; and
5. PBS Central Office's effort to correct the validity of substantial completion dates needs to be supported by regional efforts (e.g., making continuous improvements toward entering actual substantial completion dates into the system) in order to ensure effective controls.

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

c. Fixed Asset Subsidiary Ledger

1. Consider modifying Fixed Asset module functionality to properly record gains and losses for multiple fixed asset disposals; and
2. Develop a reconciliation procedure over recorded gains and losses from asset disposals to ensure that the corresponding revenues and expenses are recorded in accordance with applicable federal accounting standards.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

III. Accounting and Reporting of Environmental Liabilities

GSA manages over 1,500 owned properties with an average age of 48 years, including 305 buildings considered heritage assets. Certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, SFFAS No. 6, *Accounting for Property, Plant and Equipment* and Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government* set forth the requirements and guidance for accounting and reporting environmental liabilities.

In fiscal year 2012, GSA issued a revised Accounting for Environmental Liabilities Guidelines document (Guidelines) requiring the establishment of a new baseline assessment process to identify and investigate properties that may contain hazardous substances. The revised Guidelines also expanded the accounting requirements for environmental liabilities and it is expected to be implemented during fiscal year 2013. Because the baseline assessment process will not be in place until fiscal year 2013, the weaknesses in controls over the due care process were not corrected in fiscal year 2012. Therefore, GSA was unable to provide consistent documentation supporting its due care process for evaluating the likely presence of environmental contamination and did not report all environmental liabilities in a consistent manner throughout the fiscal year. As a result of our observations, GSA adjusted its environmental liabilities balance, when appropriate.

The lack of effective communications between the Regional Environmental personnel, PBS Central Office and the OCFO, combined with turnover of key management positions in PBS Central Office and the ineffective design of lines of authority regarding the development, implementation, execution, monitoring and enforcement of policies and procedures, are the contributing factors inhibiting the progress on GSA corrective actions for this control deficiency. If left uncorrected, these control deficiencies, combined with the implementation of Technical Bulletin 2006-1 – *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as amended, effective for fiscal years beginning on October 1, 2012, could have a significant impact on GSA's environmental liabilities balance.

Recommendations

We continue to recommend that GSA management perform a comprehensive analysis of the root causes of ineffective controls over the accounting and reporting of environmental liabilities as part of the overall control deficiency assessment to help design an effective internal control environment over environmental liabilities that is suitable for GSA business processes. Specifically:

1. Fully implement the Accounting for Environmental Guidelines in fiscal year 2013;
2. As part of the implementation of the Accounting for Environmental Liabilities Guidelines, develop and deliver training to all applicable regional personnel on accounting and reporting procedures for environmental liabilities;

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Exhibit I – FY 2012 Significant Deficiencies

3. Require the regional offices to develop and implement internal controls to provide reasonable assurance that the due care procedures are effectively and consistently applied;
4. Develop effective information and communication processes to ensure that technical accounting issues related to environmental liabilities are identified in a timely manner and to ensure that policies and procedures are consistently communicated to the Regional Environmental Managers;
5. Establish a clear line of authority between the OCFO; the PBS Central Office and regional offices to ensure that the policies and procedures for environmental liabilities are implemented in a consistent manner throughout GSA; and
6. Consider evaluating the level of resources needed to effectively implement the environmental liability guidelines.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

IV. Accounting and Reporting of Leases and Occupancy Agreements

GSA processes approximately \$5.4 billion and \$9.8 billion, respectively, in lease expenses and revenues from occupancy agreements. GSA needs to improve controls over leases and occupancy agreements to ensure that transactions are recorded promptly, recorded accurately, and properly classified in accordance with requirements outlined in Federal financial accounting standards OMB Circular A-123. In addition, GSA management's assessment of internal control, performed as part of their OMB Circular A-123, Appendix A, indicated similar issues as noted below.

a. Leases

GSA needs to improve the effectiveness of its controls over the processing of leases to ensure that leases are properly classified and accurately and timely recorded in the financial management system. Of the 83 leases selected for test work, we noted 9 instances where the certification of funds approval was not completed in the applicable feeder system before the contracting officer signed the obligating lease documents; 4 instances where delays in processing the lease action forms caused delays in the recognition of lease expense; 5 instances where the lease payment made to the vendor was underpaid; and 5 instances where the Consumer Price Index (CPI) adjustments were not recorded in a timely manner.

Also, of the 4 lease terminations selected for test work, we identified 1 instance where the lease termination was not recorded timely in the financial management system, which led to overpayments and overstatement of expense. GSA adjusted its lease expense balance as part of its financial reporting closing process.

In addition, GSA did not effectively review its capital leases during the year, resulting in an understatement of capital lease assets by approximately \$144 million as of September 30, 2012. As a result of our observations, GSA adjusted its capital lease assets and related capital lease liability.

The lack of sufficient monitoring, oversight, and training over the leasing function, as evidenced by existing policies not being followed as written are the main contributing factors for lease transactions not being recorded promptly, recorded accurately, and properly classified.

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

b. Occupancy Agreements

Of the 52 Occupancy Agreements selected for test work, we identified 23 instances where the Occupancy Agreements were not recorded timely in the financial management system, which led to back billings and delays in recognizing revenue. We performed additional analysis to obtain evidence that revenue from occupancy agreements was not significantly misstated.

The prompt processing of occupancy agreements, in many cases, is subject to the timely processing of the corresponding leases. Therefore, when GSA incurs delays in processing leases, there is an increased risk that revenues from occupancy agreements will not be properly recognized in accordance with applicable Federal financial accounting standards.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over the accounting for leases and Occupancy Agreements:

a. Leases

1. Enforce existing policies and procedures to ensure that all leases are timely and accurately processed; and leases are properly classified as operating or capital leases in accordance with Federal financial accounting standards; and
2. Regional personnel should be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to leases.

b. Occupancy agreements

1. Enforce existing policies and procedures to ensure that all occupancy agreements are timely and accurate processed, as well as customer agencies are billed on a timely manner; and
2. Regional personnel should be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to occupancy agreements.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

V. Financial Management and Reporting

GSA needs to improve controls over financial management and reporting to ensure that transactions are recorded promptly, accurately, and are properly classified in accordance with Federal financial accounting standards and with OMB Circular A-123. During our test procedures, we noted the following conditions:

a. Revenue and expense recognition policies in the Federal Acquisition Services Fund

During fiscal year 2011, GSA drafted policies and procedures to address this prior year condition. However these policies and procedures were not fully implemented during fiscal year 2012, therefore, based on the results of our test work we continued to observe instances where GSA did not recognize revenues when goods or vehicles were provided to the customer agency and recognized expenses before goods or vehicles were received from the supplier. GSA adjusted its revenues and expenses balances in the FAS individual financial statements at year-end.

Independent Auditors' Report

Exhibit I – FY 2012 Significant Deficiencies

The information and communication processes in place to help the OCFO identify the technical accounting issues related to revenue recognition; determine and analyze the type of information needed for financial reporting of revenue recognition; and to ensure that policies and procedures are consistently communicated to the FAS management is not sufficient and continued to be the contributing factor preventing the OCFO from implementing these policies and procedures in a timely manner.

b. Manual Journal Entries

GSA needs to improve controls over the preparation and review of manual journal entries. GSA's information and communication processes are not sufficient to enable the OCFO, FAS, and PBS to identify, resolve and correct accounting issues in a timely manner in accordance with applicable accounting standards. Specifically, we noted the following conditions:

1. The OCFO recorded accrual entries using a draft version of GSA's policy entitled, "*Revised Accounting Methodology on Revenue, Expense, and Asset Recognition for Telecommunications, Supply, and Vehicles*" as authoritative guidance. GSA adjusted its revenue and expense balances as part of its financial reporting closing process; and
2. The OCFO did not account for "build-to-suit" and purchases of buildings using other agency's funding in accordance with applicable accounting standards. As a result, GSA incorrectly overstated exchange revenue by approximately \$88.7 million as of September 30, 2012. As a result of our observations, GSA adjusted its exchange revenue and deferred revenues at year-end as part of its financial reporting closing process.

c. Reconciliation Procedures

OMB Circular A-123 states that monitoring the effectiveness of internal controls should occur in the normal course of business. Periodic reviews, reconciliations, or comparison of data should be included as part of the regular assigned duties of personnel. GSA needs to improve the effectiveness over the preparation, review and approval of certain reconciliation procedures. As a result of our test procedures, we noted un-reconciled variances on a number of monthly interim reconciliation procedures related to revenue, expenses, accounts receivable and accounts payable. GSA performed additional analysis and adjusted the revenue, expenses, accounts receivable and accounts payable balances, when appropriate.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over financial reporting:

a. Revenue and expense recognition policies in the Federal Acquisition Services Fund

1. Fully implement the *Revised Accounting Methodology on Revenue, Expense, and Asset Recognition for Telecommunications, Supply, and Vehicles* in fiscal year 2013; and
2. As part of the implementation process, introduce historical analysis to assess the reasonableness of the methodology and whether refinements to the methodology are needed. The historical analysis should include a comparison between estimated accruals and actual transactions.

b. Manual Journal Entries

1. Develop and implement effective information and communication processes to help ensure that technical accounting issues are identified, analyzed and resolved in a timely manner; and

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

2. Ensure journal entries are prepared and recorded based on OCFO approved policies and procedures.

c. Reconciliation Procedures

1. Enforce existing policies and procedures to ensure that all reconciliation procedures are properly prepared; and reviewed and approved by an appropriate member of management; and
2. As part of the reconciliation procedures all reconciling items should be properly investigated and resolved within an appropriate level of precision.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

VI. General Controls over Financial Management Systems

GSA did not have adequate information technology controls to protect its financial management systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could affect GSA's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. During fiscal year 2012, GSA's Office of the Chief Information Officer (OCIO) put in place a corrective action plan to address some control deficiencies reported in previous years and as a result we noted certain improvements in GSA general controls. However, GSA continued to have control deficiencies related to security and general controls over its financial information systems. Many of these conditions were similar to prior-year weaknesses but applied to different systems, platforms, and environments. GSA's lack of a governing structure to collect, assess, and share information relating to known weaknesses from one system with designated personnel throughout the organization to help eliminate similar weaknesses in other systems is the contributing factor inhibiting GSA to fully resolve these control deficiencies. A summary of the findings by general controls follows:

a. Access Controls

Access controls are designed to limit or detect access to computer programs, data, equipment, and facilities to protect these resources from unauthorized modification, disclosure, loss, or impairment. Such controls include logical and physical security controls. However, of the 11 systems tested, GSA did not fully establish controls to prevent and detect unauthorized access for nine systems. Specifically, GSA did not consistently ensure accounts for separated users is removed in a timely manner for one system; inactive accounts were not disabled within the GSA pre-defined time period of 90 days for four systems; and weaknesses were identified within the annual user access recertification process for two systems. Finally, GSA did not fully establish monitoring controls over operating system activity logs and violation reports of user actions.

b. Separation of Duties for Program Changes

Separation of duties controls ensure that incompatible duties are separated effectively so that users cannot control entire processes. Appropriate assignment of roles and responsibility, according to traditional Information Technology (IT) system functional areas, can maintain a strong internal control environment by separating incompatible sensitive IT roles, such as system administrators, database administrators, developers, change management support, and computer operations personnel. Separation of duties deters an individual from introducing unapproved and potentially harmful code into the production environment and ensures the integrity of GSA's information. GSA did not consistently ensure users' access was restricted for developing and implementing changes to the production environment for three systems.

Independent Auditors' Report

Exhibit I – FY 2012 Significant Deficiencies

Recommendations

We continue to recommend that GSA management improve controls over its financial information systems to ensure adequate security and protection of the information systems as follows:

a. Access Controls

1. Implement a comprehensive access control security program to address the administration of access controls in order to increase the reliability of data and decrease the risk of destruction or inappropriate disclosure of data;
2. Develop agency-wide policies and procedures to manage all contractors;
3. Implement controls for applications to identify and deactivate user accounts that have been inactive for the GSA defined maximum period of inactivity;
4. Improve policies and procedures to approve and terminate user access to validate that only authorized users have access to information systems;
5. Investigate and repair the cause of system errors that resulted in the breakdown of the recertification workflow;
6. Develop and implement a process to review and document the review of operating system audit logs related to financial system access and processing; and
7. Improve upon existing procedures to define events to be monitored over operating system activity logs and violation reports of user actions.

b. Segregation of Duties for Program Changes

1. Given the high volume of transactions processed through GSA's systems, high emphasis should be placed on removing incompatible duties across GSA's various applications, platforms, and environments to allow management to obtain reliance on the integrity of its production financial data; and
2. Improve policies and procedures that restrict users from having full control over the development, compilation, and implementation of program changes.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

VII. Entity-Level Controls

The control environment sets the tone of an organization by influencing the control consciousness of its personnel. It is also the foundation for all components of internal control, providing discipline and structure. The comments below should be read in conjunction with Finding VI, *General Controls over Financial Management Systems*, which describes additional entity-wide control weaknesses related to general information technology controls. We identified four entity-wide control environment conditions through our test procedures that have a pervasive influence on the effectiveness of controls. Those common themes are described below; however, they also contribute to several of the conditions presented in findings I through V listed above.

1. Development and implementation of effective information and communication processes to help ensure that technical accounting issues are identified, analyzed and resolved in a timely manner;

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

2. Certain lines of authority regarding the development, implementation, execution, monitoring and enforcement of policies and procedures need to be redefined. For example, the OCFO issued policies and procedures for the accounting of environmental liabilities; however, the OCFO depends on the PBS Central Office for the implementation of such policies and procedures. The PBS Central Office does not report directly to the OCFO. Further, these policies and procedures are subject to execution by regional environmental personnel, who do not report directly to PBS Central Office or the OCFO;
3. Regional and operational personnel do not always share responsibilities for, or are not adequately supervised on financial management matters that affect the financial statements, including adhering to appropriate accounting policies and procedures and performing key internal control functions in support of financial reporting; and
4. Certain financial systems functionality limitations are contributing to control deficiencies reported in Findings I, *Budgetary Accounts and Transactions*; II, *Accounting and Reporting for Property and Equipment*; and V, *Financial Management and Reporting*, are inhibiting progress on corrective actions for GSA and are preventing the agency from improving the efficiency and reliability of its financial reporting process. Some of the financial system limitations lead to extensive manual and redundant procedures to process transactions, to verify accuracy of data, and to prepare the financial statements. Systemic conditions related to financial system functionality include:
 - PBS lack of integrated financial and acquisition systems;
 - Funds controls in the financial management system can be overridden without proper controls over transactions recorded when such edit checks were switched off;
 - Configuration of the financial management system regarding the proper accounting for recoveries of prior years' obligations;
 - Configuration of the fixed asset subsidiary ledger within the financial management system that overstates gains and losses relating to asset disposals;
 - Aging feeder systems that do not capture proper information for the correct recognition of expenses and related revenue for certain FAS lines of businesses;
 - Configuration of the billing and accounts receivable subsidiary ledger in the financial management system creating out of balance conditions between the subsidiary ledger and the general ledger for billed accounts receivable for the fleet program; and
 - Numerous interfaces between feeder systems and the financial management system requiring manual journal entries to capture transactions properly that originally did not interface correctly.

Recommendations

We recommend that GSA management implement the following recommendations to improve the effectiveness of entity-level controls:

1. Design and implement strategies to ensure that technical accounting issues are identified, analyzed and resolved in a timely manner. GSA components, working with the OCFO support, should be able to discuss initial accounting positions, with basic rationale and supporting facts, and reach an initial conclusion within a short period of time of the issue being identified. Final resolution may take longer depending on the complexity of the issues and impact on the agency. However, even difficult matters should be resolved and documented properly in a timely manner;

Independent Auditors' Report
Exhibit I – FY 2012 Significant Deficiencies

2. As a part of the results from the top-to-bottom review and the centralization of the FAS and PBS regional budget and financial management functions under the OCFO, consider realignment of financial accounting and reporting personnel to devote more resources to technical accounting issue resolution, and reduce reliance on external audit;
3. As part of consolidation of the Agency's information technology functions under the Chief Information Officer, continue the assessment of the agency's financial information technology infrastructure with the objective of improving the effectiveness of information technology controls, both general and application, and of timely and accurate financial reporting. In the interim, as part of the overall control deficiency assessment, the OCFO should improve the efficiency of transaction-level, process-driven controls to help ensure completeness, accuracy, authorization and validity of financial transactions reported in the financial statements and reduce the dependency of manual-intensive processes; and
4. Regional and operations personnel should be trained and properly supervised on financial management matters that affect the financial statements, including adhering to accounting policies and procedures, as appropriate and performing key internal control functions in support of financial reporting.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

Independent Auditors' Report
Exhibit II – Compliance and Other Matters

A. Non-Compliance with the Anti-Deficiency Act:

This condition should be read in conjunction with Finding I.c., *Budgetary Accounts and Transaction – Apportionments and Funds Controls* included in Exhibit I, *FY 2012 Significant Deficiencies*. GSA obligated and expended funds in its Working Capital Fund from October 1, 2011 to October 27, 2011 without an appropriately signed apportionment from the Office of Management and Budget. In addition, GSA entered into a contract which included a provision that obligated the Federal Government to an unlimited liability. Accordingly, GSA reported these violations of the Anti-deficiency Act, as required by Sections 1351 and 1517(b) of Title 31, of the United States Code.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over compliance with the Anti-deficiency Act:

1. Continue to monitor newly implemented and existing controls over apportionment submissions to OMB to ensure all Apportionment and Reapportionment Schedules (Standard Forms 132) for each subject appropriation or fund account are prepared, reviewed, approved, and submitted timely;
2. Continue to monitor newly implemented and existing controls over contracting and procurement actions to ensure all contracts are prepared legally and accurately in accordance with Federal procurement laws and GSA policies and procedures; and reviewed and approved by appropriate members of management; and
3. Document all policies and procedures relating to the budgetary control environment and activities and provide employees with timely training and updated training materials.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

B. Other Matters

The Office of Inspector General identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters have been referred to GSA management and are currently under review by GSA's Office of General Counsel. A final determination has not yet been made and therefore the outcome of these matters is not presently known.

Independent Auditors' Report
Exhibit III – Status of Prior Year Findings

Status of GSA's Prior Year Findings		
Report	Significant Deficiency	Status
Prior to Fiscal Year 2009	A. Controls over budgetary accounts and transactions	This condition continues to exist in fiscal year 2012. See finding I.
Fiscal Year 2010	B. Controls over accounting and reporting of general property and equipment	This condition continues to exist in fiscal year 2012. See finding II.
Fiscal Year 2010	C. Controls over accounting and reporting of environmental liabilities	This condition continues to exist in fiscal year 2012. See finding III.
Fiscal Year 2010	D. Controls over revenue and expense recognition policies in the Federal Acquisition Services Fund	This condition continues to exist in fiscal year 2012. See finding V.a.
Prior to Fiscal Year 2009	E. General controls over financial management systems	This condition continues to exist in fiscal year 2012. See finding VI.


Other Accompanying Information



U.S. GENERAL SERVICES ADMINISTRATION
Office of the Inspector General

DATE: October 17, 2012

MEMORANDUM FOR DANIEL M. TANGHERLINI
ACTING ADMINISTRATOR (A)

FROM: BRIAN D. MILLER 
INSPECTOR GENERAL (J)

Subject: GSA's Management Challenges

As required by the Reports Consolidation Act of 2000, Public Law 106-531, the Office of Inspector General prepared the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA. The statement also includes a brief assessment of the agency's progress in addressing those challenges.

Please review our assessment at your earliest convenience and prepare any comments you wish to append. If you have any questions or want to discuss this further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachment

1800 F Street, NW, Washington, DC 20405-0002

Office of Inspector General's Assessment of GSA's Major Management Challenges

October 2012

As required by the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) regularly identifies what it considers the U.S. General Services Administration's (GSA) most significant management challenges.

The following constitute what we believe to be GSA's most serious challenges. Some of these challenges represent an inherent risk to GSA's mission or programs and are not necessarily linked to a performance deficiency. As such, GSA management may not be able to eliminate those challenges, but should continue to take steps to address them.

CONSOLIDATION OF CENTRAL OFFICE PERSONNEL TO 1800 F STREET NW

ISSUE: *In Washington D.C., the consolidation of central office personnel to 1800 F Street NW will pose challenges to the agency.*

When Phase I renovations to the GSA central office building are complete in fiscal year (FY) 2013, GSA plans to consolidate the majority of its functions in the Washington, D.C., area under one roof. This presents a unique challenge as the central office building does not have the space necessary to accommodate all employees concurrently. The lack of space will require GSA to increase telework and use various other techniques, such as hoteling, to provide personnel the resources they need to complete mission-critical activities. These changes will have a significant effect on employee collaboration. Hoteling means that employees will not have a dedicated workspace; instead, they will be assigned workspace on an as-needed basis. Increasing telework means employees will complete the majority of their duties off-site and managers will have to supervise and interact with employees in a virtual environment. This further highlights the need to develop new operating procedures for a more mobile workforce. With space at a premium, it will be necessary to digitize paper files. In addition, the agency may find it difficult to retain employees, given that their duty stations may change.

AGENCY ACTIONS: GSA faces the challenge of successfully bringing the majority of its functions in the Washington, D.C., area into a single location in FY 2013. To bring this about, GSA is looking at innovative ways to provide workspace. It is also looking at ways of reducing reliance on paper. Currently, the Federal Acquisition Service (FAS) is digitizing hard copy contract files and implementing the use of electronic contract files. Although the Public Buildings Service (PBS) currently uses a number of electronic records management systems, the official record typically remains the paper file.

ACQUISITION PROGRAMS

ISSUE: *GSA continues to face challenges within the GSA Schedules Program.*

The GSA Schedules Program¹ remains one of GSA's largest procurement programs with approximately 19,600 contracts and \$39 billion in sales in FY 2011. FAS manages the program, which provides federal agencies and other authorized users the best value through a simplified procurement process for purchasing over 11 million commercial products and services. We have identified several challenges facing the GSA Schedules Program, including: pricing, contractor compliance, contract workload management, meeting small business goals, sustainability, and proposed changes to the General Services Administration Acquisition Manual (GSAM).

¹ Also referred to as Multiple Award Schedules and Federal Supply Schedules.

Pricing

In GSA's Schedules Program, the contracting officer evaluates a contractor's prices or discounts offered by comparing them to prices or discounts the contractor offers to commercial customers. Therefore, the contracting officer's price analysis is a key step in determining fair and reasonable pricing. Given the volume of Schedule sales (over \$39 billion in FY 2011), even minor changes to pricing and discount structures can have a substantial impact.

The broad definition of a commercial item in the Federal Acquisition Regulation (FAR) also impacts Schedule pricing. Under the current definition, a commercial item is any product or service that is customarily used by the general public. The Schedules Program operates under the premise that contractors routinely sell commercial products and services in competitive markets and market forces establish fair and reasonable prices. However, the FAR does not require contractors to actually sell their products or services in the commercial marketplace, thus removing the critical link between the Schedules Program and competitively established market pricing. It has been our experience that many Schedule contractors sell exclusively to the federal government or create corporate structures to organizationally segregate their commercial business from their government business. We have also found that when a commercial market exists for a contractor's services, the work is performed on a firm-fixed price basis, which is not comparable to the hourly labor rates proposed on a time and materials basis under GSA Schedules. These scenarios present challenges to a contracting officer's ability to perform valuable price analyses.

The GSA OIG conducts preaward audits to assist contracting officers in negotiating Schedule contracts. However, the results of our audits are not being fully used. In FY 2011, we recommended price and discount adjustments that, if realized, would allow for over \$326 million in proposed contract cost avoidances and over \$9 million in recoverable overcharges. For those contracts audited in FY 2011 where the contract options have been awarded, FAS contracting officers agreed with all of the auditors' recommended cost avoidances. However, only a portion of this amount was actually achieved when the pending option periods were awarded. Given the billions of dollars of Schedule sales each year, it is essential that contracting officers are using all tools available to leverage the Government's buying power when negotiating contracts.

Contractor Compliance

We are concerned that some Schedule contractors do not fully comply with the terms and conditions of their Schedule contracts. We previously reported to the Multiple Award Schedule Advisory Panel that 70 percent of Commercial Sales Practices documents provided by contractors contained data that was not current, accurate, or complete. We found that contractors have misrepresented their actual sales prices. For instance, in September 2011, a Schedule contractor agreed to pay almost \$63.7 million to the Government to resolve alleged false claims and contract fraud. In October 2011, another Schedule contractor agreed to pay \$199.5 million to settle allegations of failure to disclose discounts offered to commercial customers.

Contract Workload Management

The Schedules Program is challenged with managing the workload associated with awarding and administering approximately 19,600 contracts. This workload includes processing contract actions such as new offers, modifications, and options to extend existing contracts, as well as ongoing contract oversight. The primary challenge is ensuring that the workload does not affect the timeliness and quality of contract actions. We previously reported that a significant number of contracts with limited or no sales remain in the Schedules Program. Although FAS has since identified and eliminated a small percentage of contracts with no sales, it remains a challenge for FAS to make contracting officers' daily workload more manageable as new contracts continue to be awarded.

Meeting Small Business Goals

Congress has proposed to increase small business contracting goals across the federal government from 23 to 25 percent. Although GSA is currently meeting the proposed 25 percent goal, many federal agencies and the

federal government as a whole are not currently meeting the accepted 23 percent small business contracting goal. As the leader in government procurement, GSA should continue to provide tools to other agencies to meet their respective small business goals. This should include awarding and managing small business contracting vehicles and marketing small business opportunities to increase customer bases.

Sustainability

Executive Order 13514 was issued in October 2009 and required that 95 percent of new contract actions, including task and delivery orders (excluding weapon systems), be energy-efficient, water-efficient, biobased, environmentally preferable, non-ozone depleting, and contain recycled content, or use non-toxic or less-toxic alternatives. Accordingly, FAS must confirm a Schedule contractor's claims of environmentally preferable products and services. This task is complicated by the proliferation of environmental certifications in the marketplace. As outlined in a previous U.S. Government Accountability Office (GAO) report, even the processes used by the U.S. Department of Energy and the U.S. Environmental Protection Agency have control weaknesses that allow products to be erroneously certified. FAS must consider how it will verify the products and services it provides are accurately certified. This is particularly important as GSA is a leader in advancing the Administration's most visible environmental initiatives.

Proposed Changes to the General Services Administration Acquisition Manual

A proposed rule for Part 538, Federal Supply Schedule Contracting, was published for comment in January 2009. We met with FAS officials several times to discuss our concerns with the proposed changes and thought we had resolved the issues. However, when we received the revised draft Final Rule in August 2009, significant issues remained. We formally commented in September 2009 that FAS's proposed changes to the GSAM will significantly weaken controls over the Schedules Program, making it less useful to customer agencies while wasting a significant amount of taxpayer dollars. Additionally, we explained that issuing the Final Rule with significant changes that have not been published or otherwise publicly communicated is not consistent with the Administration's emphasis on transparency in government operations. Based on the number and extent of changes from the published proposed rule, in addition to the length of time since comments were last received, another round of public comment is warranted.

AGENCY ACTIONS: As the number of contracts within the Schedules Program continues to increase, price disparity between the same commercial items is becoming more prevalent. In FY 2012, FAS outlined a Schedules Modernization Strategy to address the notion that the Schedules Program is operating on a 20-year-old business model, with dated practices and limited flexibility. Each of the four major areas of modernization — data driven pricing, enhanced service delivery, flexible contracting, and increased knowledge management capabilities — have an established goal to offer improved contract solutions for products and services. These solutions will permit GSA to increase price visibility allowing contracting officers to negotiate more favorable pricing, better serve federal agencies, increase flexibility, send clearer signals to industry, and save taxpayer dollars. Ultimately, the goal of the Schedules Modernization Strategy is to revamp the way GSA, customer agencies, and the contractors think about Schedule contracts.

In February 2010, the Multiple Award Schedule Advisory Panel (Panel) issued a report with findings and recommendations related to the Schedules Program. While the Panel identified some of the key problems with the Schedules Program, we disagree with the Panel's conclusions regarding the underlying causes of these problems. In essence, the Panel concluded the contract clauses are the cause of disparities in application of policy and requirements and recommends eliminating the Price Reductions clause. However, we view this clause as a control and safeguard that protects the Government and the taxpayer. In fact, we found the disparities result from a lack of understanding of these clauses by GSA contracting officers. This is further exacerbated by the high turnover of GSA acquisition staff, large workload, and a lack of consistent, adequate training for contracting officers.

FAS is proposing to close out the current Part 538 Rewrite Rule and open multiple cases. FAS plans to obtain concurrence on the multiple-case approach and submit a Federal Register notice to the Office of Management and Budget (OMB) to close the current rewrite effort. We disagree with this approach as it prolongs a resolution

to the most controversial policy issues. In addition, this piecemeal approach weakens management controls over the entire rewrite process.

ISSUE: *FAS needs to properly plan and award its new multiple award contract vehicle and ensure it adds value.*

One Acquisition Solution for Integrated Services (OASIS)

FAS is developing One Acquisition Solution for Integrated Services (OASIS), a new government-wide multiple award contract for complex integrated professional services. OASIS is planned as a full-and-open, unrestricted procurement alongside OASIS Small Business, which is a 100 percent small business set-aside.

During the planning stage, FAS must ensure OASIS adds value to an already saturated contract environment and is designed to support the Office of Federal Procurement Policy in reducing duplication, capturing business intelligence information, and providing tools to reduce high-risk contracting. Specifically, OASIS should fill the current gap in professional services, reducing the need to use multiple contract vehicles to procure a complete solution.

As with any highly visible, large, and complex procurement, there are associated risks, such as protests by contractors, FAS must consider while awarding this contract. To mitigate those risks, FAS must ensure it is following applicable procurement laws. FAS should also be cognizant of the significant drain this procurement can have on its already overextended acquisition resources. Despite the priority of bringing OASIS to market, it is imperative that FAS does not rush this procurement and risk making costly mistakes.

AGENCY ACTIONS: FAS is developing the draft request for proposal with an anticipated issue date of September 2012. As it prepares to issue the draft request for proposal, GSA developed an OASIS Industry Community webpage to seek input from industry and is also meeting with a group of customer agencies.

ISSUE: *GSA continues to face challenges with the timely transition from FTS2001/Crossover contracts to the Networkx contracts and the upcoming transition to Network Services 2020.*

Networkx Transition

FAS managed the conversion from the FTS2001/Crossover contracts to the Networkx contracts, one of the largest telecommunications services transitions ever undertaken by the federal government. This transition involved more than 135 agencies, more than 50 services, and thousands of voice and data circuits. As of July 2012, there are still agencies that have not transitioned to Networkx while the contract vehicle to replace Networkx, Network Services 2020 (NS2020), is on the horizon.

As of July 9, 2012, 12 agencies have not made the transition to Networkx contracts and have entered the Emergency Action Period, which will run until approximately December 2013. If an agency cannot fully transition within this period, it will need to either develop its own sole source contracts or execute short-term task orders to temporarily move the remaining services to the Networkx contracts. Otherwise, its services will be disconnected. Either scenario would lead to inefficient use of federal resources.

GSA is not only faced with completing the current transition, but also must begin planning for the NS2020 acquisition that will replace Networkx. Given the difficulties GSA encountered with the Networkx transition, GSA should identify the issues and ensure they are addressed when planning the NS2020 acquisition.

AGENCY ACTIONS: GSA established a project team by agency and carrier to conduct bi-weekly status meetings until the transition is completed. On September 27, 2012, GSA will hold a roundtable with the Chief Information Officer, Chief Acquisition Officer, and other federal leaders to discuss NS2020. By January 2013, there will be a second roundtable to discuss strategic goals and portfolio options.

GSA's ORGANIZATIONAL STRUCTURE

ISSUE: *GSA is rebuilding and restructuring its organization, which will require a reassessment of the agency's current controls and systems.*

The GSA Acting Administrator has initiated a comprehensive, Top to Bottom review of the agency and its operations. Through a GSA Order, the Acting Administrator has already centralized FAS and PBS regional budget and financial management under the Office of the Chief Financial Officer. Since the results of the Top to Bottom review are not yet known, it is uncertain how they will influence the structure of the organization or how the restructuring will affect established systems and controls.

In September 2012, the Acting Administrator named a new PBS Commissioner. While this should create stability at the top of the organization, the PBS senior management team as a whole lacks experience in their current positions and needs to be strengthened. As of September 2012, five of eleven PBS Regional Commissioners were serving in an acting capacity. In addition, all but three senior managers at the Assistant Commissioner level have less than two years of experience in their current positions. As with any organization, senior management is responsible for establishing and maintaining a positive and supportive environment and for ensuring operations are effective, efficient, and comply with laws and regulations. PBS needs to rebuild an effective management team that can set the agency's objectives and establish and implement the policies, procedures, and techniques needed to meet those objectives.

AGENCY ACTIONS: In a September 2012 Senate hearing, the Acting Administrator announced that the agency was in the process of finding a new FAS Commissioner. In addition, the Acting Administrator also proposed plans to consolidate the agency's information technology functions under the Office of the Chief Information Officer and personnel functions under the Office of the Chief People Officer. The abundance of organizational changes highlights the continuing challenge GSA faces as it attempts to restructure the agency.

GSA's GREENING INITIATIVE — SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

ISSUE: *Challenges exist in achieving GSA's sustainability and environmental goals.*

GSA plays a major role in federal construction, building operations, acquisition, and government-wide policy. GSA has received additional responsibilities to lead change towards sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007, the American Recovery and Reinvestment Act of 2009 (Recovery Act), and Executive Order 13514 — Federal Leadership in Environmental, Energy, and Economic Performance. Under these initiatives, GSA is required to increase energy efficiency, reduce greenhouse gas (GHG) emissions, conserve water, reduce waste, support sustainable communities, and leverage federal purchasing power to promote environmentally responsible products and technologies.

In response to its sustainability responsibilities, GSA issued its FY 2011-2016 Strategic Sustainability Performance Plan (SSP Plan)²; however, GSA faces challenges in executing this plan. Specifically, it requires the implementation of sustainable practices within the agency along with coordination with customer agencies and contractors. It also requires actions at the building and employee level as specific emerging technologies and measures are implemented and employees are tasked with changing their behaviors. In 2012, GSA submitted the Resiliency and Adaptation Plan to OMB³ along with the SSP Plan. This addition to the SSP Plan focuses on climate change adaptation planning to secure the federal property investment and to remain responsive to customer agencies' needs. The FY 2011-2016 SSP Plan shows that GSA met or exceeded many, but not all, of its FY 2010 sustainability goals. Actions taken since the FY 2011-2016 SSP Plan was issued will allow GSA to meet more goals.

We have identified four obstacles to GSA's sustainability initiatives including: (1) developing a management framework that GSA can use, (2) developing metrics that demonstrate the impact of GSA's changes, (3) collecting data to support goals and evaluate return on investment, and (4) funding specific programs.

² The current SSP Plan is available at <http://www.gsa.gov/portal/category/100551>.

³ The Resiliency and Adaptation Plan draft was sent to OMB in June 2012 and will not be released in final until approved by OMB.

Management Framework for Sustainability

To implement its SSP Plan successfully, GSA needs a transparent management framework. The framework should be based on a collaborative approach to “drive things down” throughout the organization and support coordination efforts with customer agencies and contractors. GSA’s sustainability initiatives span all of the agency’s business lines, but there is no clear process to merge the disparate parts and implement overall program management.

Success is highly dependent on communication that crosses program lines and extends to external partners. When GSA began its sustainability initiatives, it did not develop a management framework that could be used to lead its efforts and evaluate results. For example, GSA requires construction projects to seek Leadership in Energy and Environmental Design certification and install building upgrades aimed at improving energy efficiency. However, there is no program set up to monitor and evaluate the actual results. The Office of the Chief Greening Officer (CGO) within the PBS Commissioner’s Office struggles with a matrix organization, a lack of influence, and difficulties integrating sustainability requirements with business line processes.

Metrics Need to be Developed and Adopted

GSA needs meaningful and balanced metrics that align with the agency’s mission and encourage improvement in sustainable processes. In addition, GSA needs to adopt a return-on-investment approach to demonstrate economic lifecycle viability and to determine if an outcome is “greener” due to any improvements in technologies and processes. However, developing and adopting metrics may be problematic. In many cases, the metrics related to sustainability are not standardized and there may be multiple methodologies to measure a given aspect of sustainability. In addition, monitoring and tracking the effectiveness of all measures taken will likely be a large undertaking given the extent of GSA’s operations. Further, metrics by themselves may not be reliable as there may be a multitude of factors influencing a specific metric, such as building tenants’ operations.

Difficulty in adopting metrics is further complicated given that sustainability goals sometimes clash with one another. For instance, GSA is having difficulties meeting the SSP Plan’s goal to increase alternative fuel use because goals to reduce GHG emissions do not necessarily align with alternative fuel usage goals. For example, alternative fuel vehicles may actually produce more GHG emissions than regular fuel vehicles. Additionally, the move from leased space to federally owned buildings, while a worthy aim, may have a negative impact on meeting GHG emission goals.

Capturing Accurate and Complete Data

GSA needs to be able to demonstrate the benefits of investing in new sustainable technologies, as they tend to be more costly up-front than conventional technologies. Accurate, complete, and replicable data is crucial to quantifying these benefits; however, capturing this data may prove to be a challenge. For example, the benefits of investing in High-Performance Green Buildings range from increased application of reuse and recycling programs to reduced consumption of water, energy, and material resources. However, these types of benefits are often difficult to accurately measure.

Funding for Sustainability Programs

To date, GSA has had difficulty in funding specific sustainability programs, especially for building-related programs. For example, the Office of Federal High-Performance Green Buildings was established by the Energy Independence and Security Act of 2007, but was not funded until the Recovery Act provided \$4 million for the program in FY 2009. The Office of Federal High-Performance Green Buildings plans to provide government-wide standards for green federal buildings and to disseminate practices, technologies, and research results through outreach, education, and technical assistance. However, with a September 30, 2011, deadline to obligate Recovery Act funds, this office now relies upon annual appropriations.

In addition, GSA established a Green Proving Ground (GPG) program under the CGO to identify, acquire, implement, and evaluate the performance of innovative technologies. Funding to accomplish these goals has

not been available through the appropriations process; therefore, the GPG must obtain its staff and operations via other funded divisions. Since there is no budget to acquire new technologies, the Office of the CGO is attempting to find partners to lend technologies to GSA. A December 2011 request for information resulted in 64 contractors interested in “gifting” technologies to GSA. The National Renewable Energy Lab is currently rating the gifted technologies for selection.

AGENCY ACTIONS: In its FY 2013 congressional budget justification, GSA renewed its vision of achieving a Zero Environmental Footprint. To accomplish this, GSA has placed an emphasis on pursuing environmentally friendly practices in its operations. These practices range from increasing employee telework and hoteling at agency worksites, to purchasing green information technology, equipment, vehicles, and greening the federal supply chain. The budget justification also includes a carbon budget to measure GHG emissions.

GSA has also taken several steps to address the challenges to its overall sustainability program. On October 1, 2012, GSA decommissioned the online Recovery Act High-Performance Green Building Database, which was created to track sustainability data for both Recovery Act and non-Recovery Act projects. GSA will replace the online Recovery Act High-Performance Green Building Database with gBuild, the Green Building Upgrade Information Lifecycle Database. The 287 unique projects in the Recovery Act High-Performance Green Building Database⁴ will be migrated to the successor system. During the migration period, data from the original system will be available for reporting purposes.

The Office of Federal High-Performance Green Buildings' Sustainable Facilities Tool website and mobile application continues to provide guidance for greening projects. In addition, the office also: (1) conducted a survey of employee commutes to measure GHG emissions, (2) provided OMB with recommendations for GHG accounting, (3) commissioned a report from the U.S. Department of Energy on the Green Building Certification System Review, and (4) commissioned a report from the National Academies' National Research Council on *Achieving High-Performance Federal Facilities: Strategies and Approaches for Transformational Change*. In addition, the office is developing a plan to assess GHG emissions in GSA's leasing portfolio.

In accordance with the Federal Buildings Personnel Training Act of 2010, GSA developed a curriculum for core competencies, including sustainability. The goal is to implement transformational concepts across the federal government.

In April 2011, the GPG program selected 16 technologies and practices from Recovery Act projects for enhanced measurement and verification. The GPG will test, monitor, and evaluate these selected technologies and use any findings to determine whether to deploy the technologies and practices in the future. In March 2012, a study titled *Wireless Sensor Network for Improving the Energy Efficiency of Data Centers* was completed. Others studies are in the works through various laboratories, including: Lawrence Berkeley National Laboratory, National Renewable Energy Laboratory, Sandia National Laboratories, and Facilities Dynamics Engineering, Inc. GSA is planning to select 12 GPG technologies from FY 2012 that will be matched with existing buildings in the portfolio. The U.S. Department of Energy is a partner that assists with measurements and verification and advises GSA on how to share information throughout the Government.

In December 2011, a governance board, co-chaired by the CGO and the PBS Deputy Commissioner, was formed with participants including Assistant and Regional Commissioners. The governance board has coordinated sustainability efforts with the National Sustainability Council, which now includes more staff-level employees. The Office of the CGO also helped each PBS line develop a priority list, which clarified roles to achieve sustainability.

PROTECTION OF FEDERAL FACILITIES, PERSONNEL, AND INFORMATION

ISSUE: Challenges to safeguard federal facilities and to provide a secure work environment for federal employees continue to exist.

⁴Project data accessed from Recovery Act High-Performance Green Building Database <http://recoveryhpgb.gsa.gov> on August 6, 2012.

GSA plays a significant role in providing a safe, healthy, and secure environment for federal employees and visitors at approximately 9,600 owned and leased federal facilities nationwide. Increased risks of workplace violence, unauthorized access, and terrorism have greatly expanded the range of vulnerabilities traditionally encountered by building operations personnel. Nonetheless, maintaining open and accessible public buildings, that are adequately safeguarded, must remain a primary consideration for GSA.

GSA's mission of housing federal agencies requires the agency to closely interact with security personnel. Under a Memorandum of Agreement with GSA, the Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities.

GAO identified shortcomings in FPS operations and human capital that leads to concerns about the protection of federal buildings, their tenants, and information. FPS's persistent lack of a risk management framework to combine threats and vulnerabilities with resource requirements is a recurring challenge to the agency. The lack of a systematic approach for using technology to reduce risk to federal buildings and facilities is also of concern. Installation and implementation of countermeasures cannot be fully performed in these conditions. Consequently, tenant agencies are conducting their own security assessments to compensate for those not completed by FPS. Further, FPS operates without a strategic human capital plan to guide workforce planning and weaknesses exists in the training and certification of the contract guard program.

Although the majority of protection of federal facilities is performed by FPS, GSA's role in developing the Memorandum of Agreement, providing building data, and identifying building jurisdiction is of particular importance. Such information is critical to FPS, state, and local law enforcement's ability to respond to incidents at federal facilities.

AGENCY ACTIONS: GSA is in the process of combining enterprise-wide physical security, HSPD⁵-12, and emergency management responsibilities within the Office of Emergency Response and Recovery. This alignment will enhance the agency's capacity to fulfill its missions, including those directed by HSPD-7 relating to critical infrastructure. GSA has been designated as co-chair of the Government Coordinating Council under the National Infrastructure Protection Plan.

The Office of Emergency Response and Recovery has assumed executive leadership for GSA's relationship with FPS and initiated a broad spectrum of interactions, including the development of a Common Operating Picture between the two organizations. GSA believes these arrangements will help mitigate communication gaps and enhance the risk resilience framework between GSA and FPS.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

ISSUE: *GSA's implementation of the Recovery Act will continue to challenge the agency.*

The Recovery Act provided GSA with \$5.55 billion to convert federal buildings into High-Performance Green Buildings, as well as to construct federal buildings, courthouses, and land ports of entry. The Recovery Act mandated that \$5 billion of the funds must be obligated by September 30, 2010, and that the remaining funds be obligated by September 30, 2011.

GSA has been challenged by the Recovery Act from the beginning. The increased workload from the Recovery Act was a major challenge for GSA's workforce. Although many of the projects will be completed in the near future, obtaining funding for phased projects, managing project changes, and tracking the results of High-Performance Green Building projects remain challenges for GSA.

⁵Homeland Security Presidential Directive

Funding for Phased Modernization Projects

PBS included several phased full building modernization projects in its Recovery Act spend plan, including the Prince Jonah Kuhio Kalanianaʻole Federal Building and Courthouse, the Herbert Hoover Building, and the GSA Headquarters Building. Since GSA only partially funded these projects, the completion depends on hundreds of millions of dollars of future funding. However, since the Recovery Act, GSA's construction budget has been significantly reduced. As a result, the completion of these projects will likely be postponed indefinitely. In the long run, project costs will rise due to inflation and the additional costs associated with remobilizing halted projects. As project completions are postponed, GSA must determine how best to use completed building sections and plan for rising project costs.

Lack of Contingency Funding

The Recovery Act required GSA to obligate all of the construction funding by September 30, 2011, and as a result, GSA could not save any contingency funds for project changes and unforeseen conditions. Although the Recovery Act provided GSA with the ability to deobligate and reobligate funds, ensuring projects have the funds they need and that funds are used properly is a challenge. We have found invalid obligations preserving funds for contingencies and have alerted the agency.

Tracking Results

Using Recovery Act funds, GSA implemented a number of measures to comply with energy efficiency and green building requirements and to demonstrate federal leadership in sustainability, energy efficiency, and reducing the agency's environmental impact. As reported by GAO, when the Recovery Act projects began, GSA did not have a program to gather information on what measures were being implemented, how they were expected to impact the buildings, and whether the measures were effective. GSA will need to find ways to identify the measures that are being taken, quantify the results of their implementation, and evaluate their effectiveness.

AGENCY ACTIONS: GSA developed a database to track its High-Performance Green Building measures funded by the Recovery Act. With regard to contingency funds, it issued guidance on deobligating and reobligating funds between projects.

FINANCIAL REPORTING

ISSUE: *Controls over budgetary and financial reporting are affected by the absence of a single acquisition system that interfaces directly with GSA's financial system.*

Budgetary, Financial Reporting, and Acquisition Systems

The Independent Public Accountant continues to observe deficiencies in GSA's accounting process during the annual audit of GSA's financial statements. Specifically, the absence of an integrated procurement and acquisition system for PBS and FAS has been a challenge in financial reporting since FY 2005. While GSA continues to make improvements concerning this issue, similar deficiencies with controls over budgetary accounts still exist.

AGENCY ACTIONS: In partnership with the Office of the Chief Information Officer, the Office of the Chief Financial Officer works to promote the reliability of budgetary and financial information. GSA is also considering taking an agency-wide approach to acquisition systems. FAS is developing a comprehensive acquisition system for itself and PBS has partnered with FAS to address PBS's requirements for its current system development.

ISSUE: *Accounting policies and the due care process over environmental liabilities needs improvement.*

Accounting Policies over Environmental Liabilities

Federal regulations require GSA to assess and report on whether environmental contamination exists on government properties and to determine the costs to clean-up the contaminated site. GSA's environmental assessments consist of (1) identifying new environmental contamination sites and determining the related remediation costs; (2) updating the status of existing contamination sites; (3) classifying liabilities as probable, reasonably possible, or remote; (4) quantifying liabilities for accounting purposes; and (5) reporting liabilities in the annual financial statements. As noted in the current and prior year's financial statement audits, challenges in improving accounting policies and the due care process for recording clean-up costs persist for PBS. Although policy revisions are occurring, the potential for liabilities not captured in Cost Estimation Questionnaires continues to pose a challenge as there is no review or verification process in place. The review and verification of supporting documentation of environmental liability estimates, the amounts accrued and reported in the financial statements, and related note disclosures may improve accuracy.

AGENCY ACTIONS: PBS, in conjunction with the Office of the Chief Financial Officer, has been working to revise the accounting policies governing environmental cleanup costs. In addition, PBS has performed analyses to determine the correct accounting treatment of environmental cleanup costs incurred during renovation projects and for future estimated cleanup costs charged to land. PBS's environmental division has also developed training materials to aid in addressing this challenge.

INFORMATION TECHNOLOGY

ISSUE: *Improved planning, development, and implementation of information technology systems and services are needed to ensure quality data to support business decisions.*

Information Technology Systems

GSA management faces challenges as GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction. Challenges in reengineering business processes across the agency and implementing enterprise architecture have led to duplicative systems that are costly to maintain and operate. Further, it is difficult for GSA to track and report management information needed for decision making. Shared services and integrated information systems would enhance data quality and ensure that transparency and accountability goals are achieved.

GSA's Initial Information and Data Quality Plan identifies enterprise architecture and the use and management of information technology (IT) as critical factors to consider when constructing a data quality program. Despite this, GSA IT systems do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality.

AGENCY ACTIONS: The Office of the Chief Information Officer developed an IT Strategic Business Plan covering FY 2012 through FY 2015 to enable the planning, decision-making, acquisition, and execution of IT services by individual services, staff offices, and business-level program areas. The plan is intended to guide GSA IT investment decisions and communicate long-term goals and objectives.

As part of the agency's FY 2013 budget, GSA has requested funding for the following IT modernization efforts: (1) consolidating the Integrated Acquisition Environment, which collects and displays all government procurement data, into a single environment; (2) establishing new capabilities for the Information Sharing and Identity Management program, which is a multi-agency effort to improve cyber security and provide trusted entities in cyberspace; and (3) funding Electronic Government project areas that aim to continue transparency into federal operations through the use of IT and increased citizen participation in the Government.

In addition, during a September 2012 Senate hearing, the Acting Administrator announced plans to propose to Congress that all agency information technology personnel, budgets, and systems be consolidated under the Office of the Chief Information Officer.

ISSUE: *Improvements are needed to protect sensitive GSA information and to address emerging risks.*

Protecting Sensitive GSA Information

Coordination, collaboration, and accountability across the agency are necessary to protect sensitive GSA information. Improvements are needed in three high priority security risk areas —patch management, contingency plan testing, and mobile application development. Additional oversight of patching processes for GSA systems could reduce threats from known security vulnerabilities. PBS needs to ensure that newly deployed systems are recoverable from backup media. Finally, additional guidance is needed to direct agency development of secure mobile applications.

GSA's increased adoption of mobile computing is an emerging risk that must be managed. In its IT Strategic Business Plan covering FY 2012 through FY 2015, the Office of the Chief Information Officer added a goal to enable GSA employees to access any system, from any location, at any time, from any device. Mobile platform risks differ from those associated with traditional computing. These include poor session handling, reduced authorization and authentication requirements, and increased potential for data leakage due to loss or theft of devices. GSA needs to update its existing applications to provide mobile versions to web browser clients. Further, GSA is piloting programs to allow employees to access GSA resources via their personal mobile devices and is providing tablet computers to employees. GSA has the challenge of identifying business cases for adopting mobile computing and must balance operational improvements with the additional security risks and deployment costs of these solutions.

With regard to its own operations, as well as its role as facilitator for customer agencies, GSA's migration to cloud computing environments is an emerging risk area that must also be managed. Potential benefits achieved with cloud computing technologies include cost efficiencies, green efficiencies (lower power consumption and a reduction in carbon footprints), and enhanced security. However, to realize these potential benefits, GSA must address the risks of using cloud computing related to records management, privacy, security, continuous monitoring, e-discovery, and application portability.

AGENCY ACTIONS: GSA updated its IT security policy and several IT security guides, as well as developed guides for securing a new cloud platform and implementing security controls. GSA also issued an Instructional Letter on procurement, deployment, and appropriate use of mobile device applications.

To support a continued expansion of agencies' IT capabilities into cloud computing environments, GSA awarded twelve Infrastructure as a Service⁶ blanket purchase agreements to provide government entities with cloud storage, virtual machines, and web hosting services. GSA has completed security authorizations for four of these contractors.

Future security authorizations will go through Federal Risk and Authorization Management Program (FedRAMP), under which GSA has been named the managing partner. FedRAMP is a government-wide initiative to provide joint security authorization and accreditation and continuous monitoring services for large, outsourced, and multi-agency systems. FedRAMP has accredited third-party assessment organizations and has declared that it had reached Initial Operating Capability. The FedRAMP Program Management Office expects to authorize its first solutions by the end of 2012.

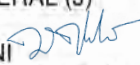
⁶ These solutions provide the customer the ability to provision processing, storage, networks, and other fundamental computing resources to deploy and run arbitrary software, including operating systems and applications. The consumer does not manage or control the underlying cloud infrastructure but has control over operating systems, storage, deployed applications, and possibly limited control of select networking components (e.g., host firewalls).



GSA Acting Administrator

November 8, 2012

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: DAN TANGHERLINI 
ACTING ADMINISTRATOR (A)

SUBJECT: Inspector General's Assessment of the U.S. General Services
Administration's Major Challenges

Thank you for providing your assessment of the major challenges currently facing the U.S. General Services Administration (GSA) and our progress in addressing them.

GSA recognizes these challenges and is implementing a broad range of measures to address them. Attached are comments on selected items in your report that provide information and clarification on how GSA is:

- Developing innovative workplace solutions to consolidate central office personnel to 1800 F Street NW;
- Engaging public buildings tenants to change their behavior to meet GSA's sustainability goals and to improve environmental stewardship;
- Improving the review and verification of environmental liabilities in GSA real estate; and,
- Taking additional steps to improve planning, development and implementation of information technology systems.

We look forward to continuing to work with the Office of the Inspector General (OIG) eliminate waste, fraud, and abuse and promote greater Government effectiveness and efficiency.

Attachment

U.S. General Services Administration
1275 First Street, NE
Washington, DC 20317
www.gsa.gov

Agency Management Comments on the Inspector General's Assessment

CONSOLIDATION OF CENTRAL OFFICE PERSONNEL TO 1800 F STREET NW

ISSUE: *In Washington, D.C., the consolidation of central office personnel to 1800 F Street NW will pose challenges to the agency.*

GSA is implementing a number of innovative approaches to address the needs of the workforce as well as designing a flexible workplace which will serve as a model for the rest of the Federal Government. GSA is working with each organization to identify workspace needs including:

- Developing innovative workplace rules and guidelines, such as a clearly defined set of guidelines on reserving workspaces and meeting rooms; and,
- Educating our workforce to prepare for the new workplace. For example, we created courses such as one titled, *Managing for Mobility*, that teaches managers to manage effectively in a mobile environment.

The Office of the Chief Information Officer (OCIO) has developed and deployed a wide-range of mobile and collaborative tools to allow employees to work anywhere, anytime. The IT Insider Live website and storefront provides instant access to training and tips to support employees in their adoption of these new tools and ways of working. The Federal Acquisition Service (FAS) and the OCIO have paper digitization and management contracts in place to assist with reducing the amount of paper being brought into 1800 F by as much as 50 percent.

Additionally, the Public Buildings Service (PBS) has embraced this new work environment by modeling the end state. A significant pilot project established in August 2011 has demonstrated that the new work environment can meet the needs of the agency and maintain or improve employee productivity.

ACQUISITION PROGRAMS

ISSUE: *GSA continues to face challenges within the GSA Schedules Program*

Sustainability

Legislative and Executive mandates for achieving low greenhouse gas scores, alternative fuel use increases, and petroleum reduction with vehicle selection and acquisition have set an environment of competing priorities that often conflict. The GSA Office of Government-wide Policy similarly has recognized this issue and worked with the Department of Energy in developing and recommending amendments to relevant statutes and Executive Orders. These recommendations would clarify sustainability goals, thus making clear which metrics should be prioritized. The proposed amendments were completed and communicated to OMB in Fall 2010 and action is currently pending.

GSA'S GREENING INITIATIVE - SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

ISSUE: *Challenges exist in achieving GSA's sustainability and environmental goals.*

PBS is developing tools to engage tenants and incentivize behavior change, which include:

- Establishing a national Green Team program to support building-level Green Teams.
- Continuing Client Portfolio Planning efforts to understand client sustainability goals, support client efforts, and develop a green baseline.

Furthermore:

- PBS established the PBS National Sustainability Council, which from the beginning included staff level representation from PBS regions and business lines.
- PBS is integrating sustainability into the strategic planning process through a collaborative process between PBS business lines, SSPP goal leads, and the PBS National Sustainability Council.
- PBS established a Sustainability Governance Board (SGB). The SGB is comprised of Assistant and Regional Commissioners and is tasked with establishing and reviewing sustainability priorities to ensure alignment with business needs, budget, and resources. Additionally, the SGB provides leadership, direction, and guidance to ensure PBS sustainability goals and milestones are achieved.
- GSA has a working council of sustainability experts from throughout the agency that meets biweekly. These experts communicate sustainability developments, progress, and challenges within their respective service and staff offices; discuss agency sustainability strategy and planning issues; and identify potential areas for cooperation and coordination across GSA business lines.

Management Framework for Sustainability

PBS developed a database, known as gBuild, to track Recovery Act-funded High Performance Green Building projects. gBUILD collects and tracks information on the projects' scope of work details, including energy efficiency, water conservation measures, and renewable energy systems. gBUILD also gathers LEED targets and ratings, Energy Star scores, baseline performance, anticipated performance, and compliance with the Guiding Principles for New Construction and Major Renovations.

For buildings with at least one full year of operational data, PBS has compared planned results against actual results in an effort to identify rates of return. As of FY 2013, GSA has begun to analyze the effectiveness of GSA's Recovery Act investments. This analysis includes aggregating actual performance data from utility bill systems and advanced meters compared against projections from gBUILD, identifying potential issues, and providing a feedback loop that informs future projects and policies.

PBS has a program to monitor and evaluate the actual results of LEED certification. The construction program utilizes LEED as both a criterion and a measure of attaining sustainability in our projects. The LEED rating system provides third-party certification and thus validates that a certain measure of sustainability is achieved. PBS has included LEED certification in its internal business measures program with the expectation of LEED certification within 18 months and tracks performance toward that end.

Metrics Need to be Developed and Adopted

- PBS tracks and reports on mandated sustainability metrics included in the SSPP.
- PBS coordinates with Office of the Chief Financial Officer (OCFO) to centralize tracking and monitoring of sustainability metrics.
- PBS conducted a gap analysis to determine which sustainability metrics are measurable and meaningful for PBS Asset Planning, and is integrating them into Asset Planning and Decision Making.
- PBS conducted a Life Cycle Analysis (LCA) pilot project and is investigating the possibility for developing guidelines for implementation of LCA.

FINANCIAL REPORTING

ISSUE: *Accounting policies and the due care process over environmental liabilities needs improvement.*

PBS, in coordination with Office of General Counsel and the OCFO, issued revised guidance in FY 2012 that will improve the review and verification of environmental liabilities in GSA real estate. Training was provided for all stakeholders over the revised guidelines in August 2012. As a part of the revised guidelines, PBS issued a property managers fact sheet which further communicates requirements for reporting environmental liabilities.

INFORMATION TECHNOLOGY

ISSUE: *Improved planning, development, and implementation of information technology systems and services are needed to ensure quality data to support business decisions.*

GSA is taking additional steps to improve planning, development, and implementation of information technology systems. The following management actions are in-process:

- IT Spend Controls – All IT spending is tracked and spending over the simplified acquisition threshold (\$150,000) must be authorized by the Agency CIO, CFO and Agency Head of Acquisition Services. Spending authorization is based on a set of guiding principles that include alignment to enterprise architecture, adherence to standards and policies, and consistency with GSA's IT Investment Portfolio.
- IT Investment Milestone Review Process and Solution Lifecycle Policy – GSA approved new investment gate reviews (called Milestone Reviews) to ensure IT investments develop business cases, complete an analysis of alternatives, address integration issues and align with the enterprise architecture. The Milestone Review Process is mandatory for all IT investments and will ensure GSA delivers cost effective IT solutions that meet business needs.
- Enterprise Architecture and Portfolio Rationalization - GSA has established an enterprise architecture framework for classifying and analyzing IT investments by application, business function, capability and technology. By using these classifications, GSA identified areas of potential duplication and developed a formal process for analyzing and rationalizing duplicative services. GSA has transition plans for service oriented architecture, document management and identity management that lead to streamlined, more cost effective IT services.
- Enterprise Data Management and Strategy - GSA has published an enterprise data management strategy, established an enterprise data management program and developed an information taxonomy. Taken together these steps provide a set of management controls to enable GSA to improve information integrity, quality and timeliness.

ISSUE: *Improvements are needed to protect sensitive GSA information and to address emerging risks.*

Security controls have been put in place for mobile devices including mobile device management using Maas 360 for all mobile device smart phones including "Bring Your Own Device" (BYOD), allowing personally-owned devices to be used for work-related tasks. This includes but is not limited to enforcing encryption, lockout, data wipe, password complexity, application blocking, among other controls.

In addition, we have implemented extensive cloud security through government-wide Authority to Operate (ATO) that can be leveraged for Salesforce, Google, and fiberlink Maas 360.

Improper Payments Elimination and Recovery Act

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) increases agency payment recapture efforts by expanding the types of payments to be reviewed and requires agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective. In addition, agencies continue to be required to review their programs and activities annually to identify those susceptible to significant improper payments. Significant improper payments is defined as gross annual improper payments in a program exceeding both the threshold of 2.5 percent and \$10 million of total program funding, or \$100 million in improper payments regardless of the improper payment percentage.

GSA provides the following improper payment reporting details in accordance with IPERA and OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*, and OMB Circular A-136, *Financial Reporting Requirements*.

1. Risk Assessment

In accordance with IPERA and OMB Circular A-123, Appendix C, GSA conducted a risk assessment of all programs for Fiscal Year (FY) 2011 payments. The goal of the risk assessment was to re-baseline each program to determine the susceptibility of GSA programs to improper payments and to use the results of the risk assessment to identify highly susceptible programs for FY 2013 reporting (i.e., estimation of improper payments of highly susceptible programs).

The last risk assessment performed was in FY 2009 for FY 2008 disbursements. The FY 2009 risk assessment was conducted using a quantitative approach using statistical sampling as well as consideration of other reviews. Error rates were evaluated considering the results of the quantitative approach, the results of the high-risk review areas performed globally, and with consideration of the results of the GSA post payment reviews and the GSA Recovery Audit. Based on the FY 2009 risk assessment, GSA identified no high risk programs.

In FY 2012, GSA applied a systematic approach to executing the risk assessment based on knowledge of the complexities, risk profiles, and business processes associated with each of the 12 programs. This approach entailed both quantitative and qualitative assessment methods.

Quantitative Risk Assessment Approach:

GSA applied a quantitative risk assessment approach for 10 of 12 programs using statistical sampling of FY 2011 payments. Test plans were developed to focus the review on relevant areas and attributes that were most susceptible to improper payments. The testing results for each program were extrapolated to the payment population to estimate the improper payment error rate associated with each program. This error rate was used to identify programs susceptible to improper payments per the IPERA definition. Specific risk factors reviewed are consistent with A-123, Appendix C objectives, which include testing that:

- payments were issued to eligible vendors or contractors;
- payments were used to purchase eligible goods and/or services;
- goods and/or services purchased were received;
- payments were not duplicate payments; and,
- payments were for the appropriate dollar amount.

Qualitative Risk Assessment Approach:

GSA performed qualitative assessments for two of the 12 programs using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Integrated Framework and evaluating the following risk factors:

- Operating Environment – Existence of factors which necessitate or allow for loosening of financial controls; any known instances of fraud.
- Payment Processing Controls – Management's implementation of internal controls over payment processes including existence of current documentation, the assessment of design and operating effectiveness of internal controls over payments, the identification of deficiencies related to payment processes, and whether or not effective compensating controls are present.
- Quality of Internal Monitoring Controls – Periodic internal program reviews to determine if payments are made properly; strength of documentation requirements and standards to support testing of design and operating effectiveness for key payment controls.
- Human Capital – Experience, training, and size of payment staff; ability of staff to handle peak payment requirements; level of management oversight, and monitoring against fraudulent activity.

GSA reviewed additional risk factors including:

- Complexity of Program – Program complexity in respect to laws and regulations, determining the correct payment amount, and the length of the program.
- Nature of Payments – Volume of transactions in respect to the number of invoices, as well as, contract modifications.
- Quantitative Risk – Based on the total payments made by the program during the fiscal year and materiality of the payments to the overall program.

These seven risk factors are consistent with OMB Circular A-123, Appendix C risk factors that must be addressed at a minimum for the qualitative assessment.

Conclusions

Based on the results of the risk assessment, GSA concluded the following:

- There are two high risk programs, which include Rental of Space and Purchase Cards;
- There are three high risk activities, which include Building Operations and Other Payments - Utilities,¹ Integrated Technology Services (ITS) - Wide Area Network (WAN)²; and Other Sensitive Payments³, which consist of discretionary costs across all GSA programs.

¹ Utilities is an activity under major program: Building Operations and Other Payments.

² Wide Area Network is an activity under major program: Integrated Technology Services.

³ Other Sensitive Payments are discretionary costs that are determined to be high risk to the agency throughout all programs, which include conferences, speaking honoraria, gifts, training, and membership fees.

2. Statistical Sampling

GSA will report on the statistical sampling process when programs and activities susceptible to significant improper payments are measured in FY 2013.

3. Corrective Actions

GSA will report on corrective actions to reduce improper payments for each root cause identified when programs susceptible to improper payments are measured in FY 2013. GSA has begun designing additional internal controls to reduce improper payment rates in the future. These corrective actions are currently in-process and GSA will track these action plans for future reporting.

4. Improper Payment Reporting

GSA rebaselined the risk assessment for all programs in FY 2012 using both quantitative and qualitative methods. The risk assessment identified two programs (Rental of Space and Purchase Cards) and three activities (Building Operations - Utilities, Integrated Technology Services - Wide Area Network, and Other Sensitive Payments) as high risk.

Measurement of improper payments for these high risk programs and activities will be completed and Table 1, *Improper Payment Reduction Outlook*, will be reported in FY 2013. The measurement process includes obtaining approval from OMB on GSA's statistical sampling methodology, executing test plans, and quantifying the improper payment dollars and percentages in compliance with A-123, Appendix C.

GSA's measurement baseline year is FY 2013; therefore, no prior year data is available for FY 2012 reporting.

5. Recapture of Improper Payments Reporting

In FY 2012, GSA considered all programs and activities that expended \$1 million or more annually for payment recapture audits. However, GSA focused on reviewing the Rental of Space program (previously reported as Leasing) based on improper payment risk identified from previous years. Furthermore, GSA initiated payment recapture audit efforts for the regional telecommunication and utilities contracts; however, these two audits are on-going and no improper claims were identified as of September 30. Transportation program payments were excluded from the Payment Recapture Audit Program because they are subject to audits directed by 31 U.S.C. 3726. GSA establishes claims in accordance with the Debt Collection Improvement Act. Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts.

In FY 2011, the GSA Office of Inspector General (OIG) determined that GSA was compliant with IPERA; however, improvements were needed. This included redefining and reporting identified and recovered amounts resulting from the payment recapture audit. In accordance with OIG recommendations, GSA changed the reporting methodology for identified and recovered from accrual basis to cash basis reporting. This resulted in a lower recovery rate for the current fiscal year than the established target as reported in the FY 2011 Agency Financial Report. In addition, cumulative adjustments were made to prior year reported dollars to separate identified and recovered amounts between the payment recapture audit and GSA discovered improper payments.

Current and prior-year results of the Payment Recapture Audit program are presented in the table below:

Table 2 Payment Recapture Audit Reporting

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY + PYs)	Cumulative Amounts Determined Not to be Collectable (CY + PYs)
Rental of Space	Contract	\$7,182,067,182	\$7,182,067,182	\$14,604,423	\$3,738,518	26%	\$10,830,949	74%	\$34,956	0.2%	\$94,258,369	\$71,392,213	\$108,862,792	\$75,130,730	\$33,065,973	\$666,088

GSA is required to establish annual targets to drive annual payment recovery performance. In FY 2011, GSA reported a recovery target of 83% for FY 2012; however, based on changes to reporting methodology GSA did not reach its annual target. Furthermore, the existing collection process poses an inherent challenge in recovering the total amount of identified claims in the current FY. GSA recognizes these challenges and is in the process of developing an action plan to actively work with business managers to improve on the recovery rate for FY 2013.

Table 3 Payment Recapture Audit Targets

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	CY	CY	CY	CY + 1	CY + 2	CY + 3
		Amount Identified	Amount Recovered	Recovery Rate (Amount Recovered/Amount Identified)	Recovery Rate Target	Recovery Rate Target	Recovery Rate Target
Rental of Space	Contract	\$14,604,423	\$3,738,518	26%	50%	55%	60%

Table 4 below provides the aging schedule of the amount of outstanding overpayments identified through the payment recapture audit (i.e., overpayments that have been identified but not recovered) in FY 2012. GSA starts aging an overpayment when the overpayment is detected, that is, certified by the program office and approved by the Payment Recapture Program Manager.

Table 4 Aging of Outstanding Overpayments

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	CY Amount Outstanding	CY Amount Outstanding	CY Amount Outstanding
		(0 - 6 months)	(6 months to 1 year)	(over 1 year)
Rental of Space	Contract	\$1,363,060	\$9,467,890	–

GSA's payment recapture audit identified claims related to the rental of space program. This program is funded through the Federal Buildings Fund, a revolving fund. Therefore, funds recaptured are credited back to their original purpose. Table 5 provides a summary of GSA's disposition of funds.

Table 5 Disposition of Recaptured Funds

Program or Activity	Type of Payment (contract, grant, benefit, loan or other)	Agency Expense to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Rental of Space	Contract	–	–	–	\$3,738,518	–	–

GSA identifies and recovers improper payments through other post-payment reviews performed by the agency. A summary of this effort is provided in Table 6.

Table 6 Overpayments Recaptured Outside of Payment Recapture Audits

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (FY)	Amount Recovered (PY)	Cumulative Amount Identified (CY + PYs)	Cumulative Amount Recovered (CY + PYs)
GSA Identified ¹	\$43,329,100	\$37,389,991	N/A	N/A	N/A	N/A

6. Accountability

GSA has identified internal control deficiencies that contributed to improper payment occurrences. GSA is currently in the process of designing new controls and will evaluate the new controls to ensure they are operating effectively. The OCFO will be assisting program offices to develop and track action steps with milestones to remediate these internal control deficiencies in FY 2013.

7. Agency Information Systems and Other Infrastructure

GSA has sufficient internal controls, human capital, and information systems and other infrastructure needed to reduce improper payments to the levels the agency has targeted. Through the IPERA risk assessment and payment recapture efforts, GSA identified internal control issues that contributed to improper payments and new internal controls are being designed and will be evaluated to determine operating effectiveness.

8. Barriers

GSA has not identified any statutory or regulatory barriers, which may limit GSA's ability to implement corrective actions to reduce improper payments.

9. Additional Comments

GSA continues to highly prioritize its improper payment reduction and recovery efforts. Process improvements have been made since prior year reporting and GSA continues to make additional improvements as issues are identified. Business process changes have been proposed and new controls identified to prevent further occurrences of known improper payments.

¹ GSA Identified are self-reported overpayments.

Summary of Financial Statement Audit and Management Assurances

Table 1. Summary of Financial Statement Audit

Audit Opinion: Unqualified
Restatement: No

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
None	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2 Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unqualified						
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Unqualified						
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Systems substantially conform to financial management system requirements						
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	GSA			AUDITOR		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		

Other GSA Statutorily Required Reports

Debt Management

GSA reported \$134.7 million of outstanding debt from non-federal sources, of that amount, \$16.4 million or 12.2 percent of the outstanding debt was delinquent at the end of FY 2012. Non-federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the Department of the Treasury (Treasury), Financial Management Service for cross-servicing collection. During FY 2012, the Office of the Chief Financial Officer (OCFO) referred over \$11.5 million of delinquent non-federal claims to the Treasury for cross-servicing collection activities. Collections on non-federal claims during this period exceeded \$469.8 million.

The OCFO has continued to implement and initiate actions to improve our debt collection efforts and

reduce the amount of debt written off as uncollectible for GSA.

GSA actively pursues delinquent non-federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. GSA continues to place a high priority on resolving delinquent accounts receivable and claims.

Cash and Payments Management

The Prompt Payment Act, along with the Debt Collection Improvement Act of 1996, requires the timely payment of commercial obligations for supplies and services using electronic funds transfer (EFT). In FY 2012, GSA paid interest of \$653,117 on disbursements of \$21 billion, or \$31.10 in interest per million disbursed. GSA paid less in interest penalties this year primarily due to timelier payment of taxes due on GSA leases. The statistics for the current and preceding two fiscal years are as follows:

	FY 2012	FY 2011	FY 2010
Total Number of Invoices Paid	1,564,274	1,565,084	1,594,712
Total Dollars Disbursed	\$21.0 Billion	\$20.1 Billion	\$17.9 Billion
Total Dollars of Interest Penalties	\$653,117	\$1,379,234	\$1,604,034
Interest Paid per Million Disbursed	\$31.10	\$68.41	\$89.12
Percentage of Invoices Paid On Time	99.4%	98.8%	98.5%
Percentage of Invoices Paid Late	0.60%	1.11%	1.50%
Percentage of Invoices Paid Electronically	98.5%	98.3%	98.5%

Schedule of Spending

(Unaudited)

The Schedule of Spending presented below is an overview of the fiscal year (FY) 2012 resources of GSA and how they were used. The schedule is presented to help the public better understand what money was provided to GSA, how GSA spent the money, and to whom the money was paid. Simplified terms were used to improve understanding of budgetary accounting terminology used on the Combining Statements of Budgetary Resources (CSBR), on page 22.

What Money is Available to Spend represents the authority that GSA was given to spend by law and the status of that authority. In this section:

- Total Resources represents amounts approved for spending by law.
- Less Amount Not Agreed to be Spent represents amounts that GSA was allowed to spend but did not take actions to spend.
- Less Amount Not Available to be Spent represents the amount of total budgetary resources that were not approved for spending.
- Total Amounts Agreed to be Spent represents the amount of spending actions taken by GSA for the fiscal year. This represents contracts, orders and other legally binding obligations of the federal government to pay for goods and services when received.

How was the Money Spent identifies the major categories for which GSA made payments during the year. In this section:

- Total Spending represents the sum of all payments GSA made during each year against Amounts Agreed to be Spent. Balances include payments made to liquidate Amounts Agreed To be Spent originating in both the current as well as from prior fiscal years.
- Amounts Remaining to be Spent represents the difference between Total Spending versus Amounts Agreed to be Spent. Since payments can relate to spending activity initiated in the current and prior years, it is not unusual for total payments in a fiscal year to exceed the amount of the new spending actions originated that year, that are reported under Amounts Agreed to be Spent. When this condition occurs, negative amounts will be displayed as the balance of Amounts Remaining to be Spent.

Who did the Money go to identifies the major recipients, by federal and non-federal entities. Amounts in this section are Amounts Agreed to be Spent, rather than actual payments.

U.S. General Services Administration

Schedule of Spending

As of September 30, 2012 and 2011
(Dollars in Millions)

	Federal Buildings Fund		Acquisition Services Fund		Other Funds		GSA Totals	
	2012	2011	2012	2011	2012	2011	2012	2011
What Money is Available to Spend?								
Total Resources (Note 1)	\$15,702	\$16,689	\$12,811	\$13,145	\$1,018	\$1,015	\$29,531	\$30,849
Less Amount Not Agreed to be Spent (Note 2)	4,679	4,683	1,850	1,758	79	105	6,608	6,546
Less Amount Not Available to be Spent (Note 3)	38	563	49	24	143	128	230	715
Total Amounts Agreed to be Spent (Note 4)	10,985	11,443	10,912	11,363	796	782	22,693	23,588

How was the Money Spent?								
Space Rental	5,519	5,324	45	51	27	29	5,591	5,404
Acquisition Support Services	1,573	1,451	5,106	4,194	65	149	6,744	5,794
Employee Salaries/Benefits	791	827	457	463	313	320	1,561	1,610
Travel	15	21	8	14	5	7	28	42
Other Contractual Services	1,725	1,361	580	661	284	223	2,589	2,245
Land Structures	2,740	2,909	6	3	-	-	2,746	2,912
Equipment	146	131	808	851	28	30	982	1,012
Utilities, Communication	414	433	1,154	1,137	25	28	1,593	1,598
Other	158	172	59	51	2	4	219	227
Supplies and Materials	16	35	2,862	2,919	2	4	2,880	2,958
Total Spending (Note 5)	13,097	12,664	11,085	10,344	751	794	24,933	23,802
Amounts Remaining to be Spent	(2,112)	(1,221)	(173)	1,019	45	(12)	(2,240)	(214)
Total Amounts Agreed to be Spent (Note 4)	10,985	11,443	10,912	11,363	796	782	22,693	23,588

Who did the Money go to?								
Federal Entities	654	N/A*	1,216	N/A*	192	N/A*	2,062	N/A*
Non-Federal								
Commercial and Other Non-Federal Entities (Note 6)	9,712	N/A*	9,336	N/A*	369	N/A*	19,417	N/A*
Employee	619	N/A*	360	N/A*	235	N/A*	1,214	N/A*
Total Amounts Agreed to be Spent (Note 4)	\$10,985	N/A*	\$10,912	N/A*	\$796	N/A*	\$22,693	N/A*

Notes

1. This amount ties to balances reported on the CSBR as Total Budgetary Resources.
 2. This amount ties to balances reported on the CSBR as Unobligated Balance-Appportioned.
 3. This amount ties to balances reported on the CSBR as Unobligated Balance-Unapportioned.
 4. This amount ties to balances reported on the CSBR as Total Obligations Incurred.
 5. This amount ties to balances reported on the CSBR as Gross Outlays.
 6. Commercial and Other Non-Federal Entities include non-profit organizations, state and local governments, and businesses or individuals that sell products or services to GSA.
- * N/A -Comparative Data is not required for this Section

Description of Independent and Central Offices

Office of Administrative Services (OAS): OAS delivers innovative, responsive, timely, and sustainable policies and solutions for GSA's workspace and administrative needs for today and tomorrow, which enable and foster the cost-effective use of government resources across the Agency and support GSA customers' missions.

Office of the Chief Financial Officer (OCFO): The OCFO provides financial management services for GSA and over 50 external customers. The OCFO manages strategic planning, budgeting and the performance management cycle within GSA; manages the core accounting system; and prepares financial statements and reports.

Office of the Chief Information Officer (OCIO): The OCIO provides enterprise IT services and solutions by leveraging IT resources to support GSA business needs.

Civilian Board of Contract Appeals (CBCA): CBCA serves as an independent and objective tribunal in contract disputes between government contractors and GSA, and contractors and other executive agencies. CBCA provides alternative dispute resolution services to all federal agencies and contractors. The board also hears claims involving transportation rate determinations, federal employee travel, relocation and expense claims, and a small number of other types of claims.

Office of Communications and Marketing (OCM): OCM focuses on conveying information about GSA to federal employees and external audiences, including the media, agency customers, stakeholders, and the American public.

Congressional and Intergovernmental Affairs (OCIA): OCIA maintains Agency liaison with Congress; prepares and coordinates GSA annual legislative program; communicates GSA legislative program to OMB, Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

Office of the Chief People Officer (OCPO): The OCPO develops and delivers programs, policies, and services that promote GSA strategic management of human capital.

Office of Civil Rights (OCR): OCR ensures equal employment opportunity (EEO) for all GSA employees and applicants for employment on the basis of sex, race, color, national origin, religion, disability, and age; and protects employees from retaliation for protected EEO activity. OCR protects recipients of GSA's federal financial assistance program and participants in federally conducted programs from discrimination.

Office of Citizen Services and Innovative Technologies (OCSIT): OCSIT is the nation's focal point for data, information and services offered by the federal government to citizens.

OCSIT plays a leadership role in identifying and applying new technologies to effective government operations and excellence in customer service in the government. OCSIT creates a more citizen-centric, results-oriented federal government. OCSIT helps citizens to interact with the government by creating a single electronic front door to the services and information they require in the medium preferred: the Web, e-mail, telephone, fax, or print. OCSIT also provides in-house communications support to the rest of GSA, and is a liaison with the media.

Office of Emergency Response and Recovery (OERR): OERR is responsible for ensuring that GSA maintains a constant state of readiness to provide emergency acquisition support and emergency real property to federal agencies in the event of a disaster or catastrophic event. OERR coordinates GSA national continuity responsibilities by: developing policies, plans, and procedures; developing and implementing GSA disaster readiness programs; and providing emergency acquisition support and serving as the on-the-ground liaison between GSA field organizations and federal emergency response efforts during national disasters. OERR coordinates emergency management services throughout GSA, and develops emergency preparedness procedures, shelter-in-place guidelines, and training to assist employees in the event of an emergency.

Office of General Counsel (OGC): The OGC provides legal advice and representation to GSA services and staff offices to enhance their ability to help federal agencies. The OGC carries out all legal activities of GSA, ensures full and proper execution of GSA's statutory responsibilities, and provides legal counsel to GSA officials.

Office of Governmentwide Policy (OGP): OGP improves government-wide management. Its responsibilities span personal and real property, travel and transportation, IT, regulatory information, and use of federal advisory committees. OGP accomplishes its mission through collaboration with federal agencies and other stakeholders.

Office of Inspector General (OIG): The OIG conducts an independent nationwide audit and investigative program of GSA internal operations, programs, and external contractors. The OIG promotes economy, efficiency, and effectiveness, and prevents and detects fraud, waste, and mismanagement in GSA programs and operations.

Office of Small Business Utilization (OSBU): OSBU advocates for small, minority, veteran, historically underutilized business zone (HUBZone) and women business owners. OSBU promotes increased access to GSA nationwide procurement opportunities by nurturing entrepreneurial opportunities, outreach, and training.

Acronyms and Abbreviations

AAS	Assisted Acquisition Services	GPG	Green Proving Ground
AFR	Agency Financial Report	GSA	U.S. General Services Administration
ASF	Acquisition Services Fund	GSAM	General Services Administration Acquisition Manual
ARRA	American Recovery and Reinvestment Act	GSS	General Supplies and Services
CSBR	Combining Statements of Budgetary Resources	IPERA	Improper Payments Elimination and Recovery Act of 2010
CGO	Chief Greening Officer	IT	Information Technology
CSRS	Civil Service Retirement System	ITS	Integrated Technology Services
FAR	Federal Acquisition Regulation	MAS	Multiple Award Schedules
FAS	Federal Acquisition Service	NEAR	National Electronic Accounting and Reporting
FASAB	Federal Accounting Standards Advisory Board	OASIS	One Acquisition Solution for Integrated Services
FBF	Federal Buildings Fund	OMB	Office of Management and Budget
FCSF	Federal Citizen Services Fund	PBS	Public Buildings Service
FERS	Federal Employees Retirement System	PMR	Procurement Management Review
FFMIA	Federal Financial Management Improvement Act of 1996	R&A	Repairs and Alterations
FISMA	Federal Information Security Management Act of 2002	RWA	Reimbursable Work Authorization
FMFIA	Federal Managers' Financial Integrity Act of 1982	SFFAS	Statements of Federal Financial Accounting Standards
FPS	Federal Protective Service	SGB	Sustainability Governance Board
FY	Fiscal Year	TSP	Thrift Savings Plan
GAAP	Generally Accepted Accounting Principles	TMVCS	Travel, Motor Vehicles, and Card Services
GHG	Greenhouse Gas	USSGL	U.S. Standard General Ledger
		WCF	Working Capital Fund

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